
**STRATEGIES FOR ECONOMIC DEVELOPMENT IN
THE COMMONWEALTH CARIBBEAN: A
COMPARATIVE STUDY OF THE FOREIGN
ECONOMIC POLICY STRATEGIES ADOPTED
BY THE MANLEY GOVERNMENT IN JAMAICA
AND THE WILLIAMS GOVERNMENT IN
TRINIDAD AND TOBAGO.**

By

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Submitted in partial fulfilment of
the requirements for the degree
Master of Arts.

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November, 1987.

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ABSTRACT

This thesis compares the foreign economic policy dimension of the development strategies adopted by the governments of two Commonwealth Caribbean countries: The Manley government in Jamaica, and the Williams government in Trinidad and Tobago.

The foreign economic policies adopted by these governments appeared, on the surface, to be markedly dissimilar. The Jamaican strategy on the one hand, emphasised self-reliance and national autonomy, and featured the espousal of radical nonalignment together with attempts to re-define the terms of the island's external economic relations. The Trinidadian strategy on the other hand, featured liberal externally-oriented growth policies, and close relations with Western governments and financial institutions. This study attempts to identify the explanatory factors that account for the apparent dissimilarity in the foreign economic policies of these two governments.

The study is based on a comparison of how the structural bases of an underdeveloped economy, and the foreign penetration and vulnerability to external pressures associated with dependence, shape and influence foreign economic policy strategy. The framework views foreign economic

strategy as an adaptive response on the part of the decision makers of a state to the constraints and opportunities provided by a particular situation. The 'situation' in this case being the events, conditions, structures and processes, associated with dependence and underdevelopment.

The results indicate that the similarities and dissimilarities in the foreign economic policies of the governments of Jamaica and Trinidad were a reflection of the similarities and dissimilarities in their respective situations. The conclusion derived suggests that if the foreign policy field as an arena of choice, is indeed one of opportunities and constraints for each and every state, then policy makers of small, weak, highly penetrated and vulnerable states enter this arena with constraints outweighing opportunities. This places effective limits on their decisional latitude and the range of policy options available. Policy makers thus have to decide critical issues with few established precedents, in the face of domestic social and political cleavages, as well as serious foreign pressures. This is a reflection not only of the trappings of dependence, but also of the limited capabilities arising from the small size of the state, and the impact of the resource-gap in an underdeveloped economy.

The Trinidadian strategy is illustrative of a development strategy made viable through a combination of a fortuitous circumstance, a confluence of the interests of influential groups, and accurate perception on the part of policy makers. These factors enabled policy makers to minimise some of the constraints of dependence. The failure of Manley's strategy on the other hand, is illustrative of the problems involved in the adoption of policies that work against the interest of internal and external political and economic forces. It is also illustrative of the consequences of the failure on the part of policy makers to clarify goals, and to reconcile the values of rapid economic growth with increased self-reliance and national autonomy. These values tend to be mutually incompatible given the existing patterns of relations in the international economy.

ACKNOWLEDGEMENTS

In the preparation and defence of this thesis, I received help and advice from a number of people and organizations whose contributions are hereby acknowledged.

Special thanks to Professor Barry Bartmann, my principal supervisor, for his invaluable comments and suggestions, and to Professors Daniel Madar and Gerry Dirks for their advice and encouragement. Thanks also to the Faculty, Staff, my friends and colleagues, at the Department of Politics, Brock University, for providing a friendly, intellectually stimulating and rewarding environment. My gratitude is extended to the staff of the University library, for their assistance in obtaining sources of information; and to the Jamaican and Trinidadian communities in St. Catharines and in Toronto, who, through informal discussions gave me greater understanding of their countries.

Any errors in fact or in judgement however, are entirely my own responsibility.

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PART ONE
INTRODUCTION
AND
LITERATURE SURVEY

This section of the thesis serves as a general introduction, presenting the purpose, scope and method of the study, together with a literature survey. Part One is divided into four sections. The first section outlines the purpose and objective, the scope and methodology of the study. Section two presents a survey of selected literature on the issues of development and underdevelopment. Section three reviews selected theoretical approaches to the comparative study of foreign policy, and section four is the conclusion. The observations and considerations raised in Part One provide the basis for the development of the conceptual framework in Part Two.

SECTION ONE

THE PURPOSE, SCOPE AND METHOD OF THE STUDY.

1: The Purpose and Objective of the Study.

This thesis compares the foreign economic policy strategies adopted by the Manley government in Jamaica and the Williams government in Trinidad and Tobago during the decade of the 1970's.

The 1970's witnessed dramatic upheavals in the international economy. Changes occurred that had important implications for the economic development of third world states. Prominent among these changes were the oil-price revolution and the international inflation and subsequent recession it precipitated and a long-term decline in the terms-of-trade for primary commodity exporting, non oil-producing countries. These factors, together with an increase in protectionist trade practices in the advanced industrialized states, and a steep rise in interest rates, produced a dramatic increase in the 'burden' of debt for third world countries. It was against this background of an international economy in flux that the governments of Jamaica and of Trinidad adopted foreign economic strategies designed to promote the economic development of their societies.

The Jamaican strategy on the one hand was essentially inward-looking. Policies adopted by the Manley government emphasised self-reliance and national autonomy, featured an expanded presence of the public sector in the island's economy, together with a radical foreign policy posture directed at a re-definition of the terms of the country's external economic relations. The Trinidadian strategy on the other hand, was essentially outward-looking. It featured externally-oriented growth policies and close relations with Western governments and financial institutions.

The questions that arise in this respect are: What were the similarities in their foreign economic strategies, given these apparent dissimilarities? What were the factors that influenced the adoption of the strategies?

There were also differences in the consequences of the strategies adopted for the short-term economic development of the two countries. In Trinidad, the record reveals that between 1971 and 1980, and especially after 1974, the island enjoyed impressive economic growth. In Jamaica on the other hand, the record reveals eight years of steady economic decline (1972-1980). There were shortages of virtually every conceivable item and there was internal social and political disintegration, culminating in

the ignominious defeat of the Manley government in the 1980 election. Was this simply a reflection of the inherent weakness of Manley's strategy as against the inherent strengths of Williams'?; of 'bad' versus 'good' economic policies? If not, what were the factors responsible for these outcomes? These are the questions to which this study attempts to provide answers.

The objectives of the study therefore are:

- 1: To identify the explanatory factors that account for the orientation of the Jamaican and Trinidadian governments toward the international economy during the time period under consideration (i.e. their foreign economic strategies);
- 2: to analyse the patterns of similarity and dissimilarity in their strategies; and
- 3: to account for, and to assess the effectiveness or otherwise of these strategies in terms of promoting the economic development of Jamaica and Trinidad during the period under consideration (1970-1980).

The choice of Jamaica and Trinidad as the units of analysis reflects an interest in the affairs of the Commonwealth Caribbean. The reason why Jamaica and Trinidad in particular were selected is because of

the existence of a strong basis for comparison between them. The two countries for instance, are relatively close neighbours and are comparable in respect of size, economic development, political and social structures, and a shared and similar colonial experience. Why then, given these similarities, should their governments adopt such apparently dissimilar strategies? Treating Jamaica and Trinidad as the units of analysis however, should in no way obscure the broader objective of the study, which is to provide an analytical framework relevant for the study of the foreign policy behaviour of other third world states.

Studies of the foreign policy processes in third world states have tended to focus on the personalities of national leaders, overemphasising idiosyncratic attributes as the overriding explanatory factors.⁽¹⁾ This study attempts to go beyond such mono-variable explanations by emphasising the interdependence of subjective psychological and objective structural factors in the determination of foreign policy behaviour.

(1) A discussion of the problems of psychologism in the comparative study of foreign policy is provided in section three below.

2: The Scope and Method of the Study.

The primary objective of this study, as noted, is to compare the foreign economic policy strategies adopted by the governments of Jamaica and Trinidad and Tobago. The scope of the study is, in the light of this objective, limited in two important ways.

In the first place, the scope is limited to an analysis of the economic aspect of foreign policy behaviour. Such activities as international trade and financial policies as well as policies with regard to foreign investment, tax and other fiscal measures, are the focus for analysis. Other aspects of the foreign policy behavior of the Jamaican and Trinidadian governments are relevant only in so far as they directly or indirectly affect foreign economic policy.

Secondly, the emphasis is on foreign economic policy as *strategy*, which is considered to comprise a collection of policies as observed over a period of time (1972-1980 for Jamaica, and 1971-1981 in the case of Trinidad and Tobago). Thus, no attempt will be made to study the processes involved in the making of specific policy decisions. Instead, these specific policy decisions are viewed in the broader context of long-term strategy,

and the analysis compares *what* the policies were and explains *why* the policies were adopted, not *how* the policy decisions were made.

Methodologically, the study is closer to the conceptual end of the conceptualization-empiricism continuum in that little or no use is made of complex statistical techniques. The use of statistical techniques is limited to the computation of simple proportions (percentages and ratios) and means (averages) in the compilation of tables to substantiate the argument of the thesis. Primary sources of data include such standard reference works as the KEESINGS CONTEMPORARY ARCHIVES and FACTS ON FILE, and the year books and economic surveys published by the various United Nations agencies, the International Monetary Fund, and the World Bank. Other sources of data include journal articles, the views expressed by Jamaican and Trinidadian policy makers contained in published interviews and biographies, and of course, books.

The approach is essentially one of political economy, albeit of an eclectic kind, that draws analytical techniques and concepts derived from other social science disciplines, into a framework emphasising the interdependence of numerous variables. Foreign economic policy is viewed from the perspective of adaptation, as a response on the part of policy

makers to the constraints and opportunities provided by a particular situation. The 'situation' in this case is considered to be one of 'dependence' and 'underdevelopment',⁽¹⁾ and the study is thus based on an examination of the influences on foreign economic policy, of the structural bases of underdevelopment, and the foreign penetration and vulnerability to external pressures associated with dependence.

The argument of the thesis is presented in four parts which are subdivided into sections:

Part One, which includes this introduction, presents a survey of selected literature on the issues of development and underdevelopment as well as a survey of selected approaches to the comparative study of foreign policy. The literature survey provides the basis for the development of the conceptual framework in part two.

Part Two, subdivided into four sections, is devoted to the development of a conceptual framework for the comparative analysis of the foreign economic strategies of Jamaica and Trinidad and Tobago. This will involve the following procedures:

(1) A definition of these concepts is provided in section two below.

- (a) The definition and operationalization of the main concepts and terms by specifying the criteria governing the observation of the phenomena the variables are defined to embrace;
- (b) specification and elaboration of the nature and range of variation of the independent and dependent variables to be compared, and the development of hypotheses to explain the relationship between the variables; and
- (c) development of criteria for determining when the observed phenomena are similar or dissimilar.

Part Three, subdivided into two sections, applies the framework developed in Part Two, through the application of empirical data, to indicate the patterns of similarity and dissimilarity in the foreign economic strategies of Jamaica and Trinidad. Sections one and two present in case-study format, an overview of the situations and strategies of Jamaica and Trinidad respectively.

Part Four is the conclusion to the study and is divided into two sections. Section one summarizes the observations and findings and brings out in greater detail the comparison. Section two surveys the argument of the thesis, and assesses the usefulness of the framework for analysing

the foreign policy behaviour of other third world states.

SECTION TWO

LITERATURE SURVEY: DEVELOPMENT AND UNDERDEVELOPMENT.

The Political-economy of Socio-economic Transformation in the Third World: Is it one of Development, or one of Underdevelopment and Dependency?

1: Introduction.

The purpose of the survey in this section is to introduce the concepts of 'underdevelopment' and 'dependency', which play a pivotal role in our analysis and to specify the way in which they are to be employed in the subsequent discussion. The survey will necessarily be brief since this study is not concerned with development and underdevelopment *per se*, but with comparing foreign economic policy, (albeit within the context of development and underdevelopment). The thrust of the discussion therefore, is to provide the basis for the development of our conceptual framework by outlining the wider perspective from which the foreign policy behaviour of Jamaica and Trinidad, as the units of analysis, are to be viewed, *viz*, as two underdeveloped units acting within the context of an international economy characterized by a high degree of asymmetric interdependence.

2: An Overview of Diffusionist and Underdevelopment Theories.

There is no general agreement among analysts on the issues of development and underdevelopment. At the center of the debate is disagreement on the causes of the stark inequalities among (and within) nations. The analyst who wishes to survey the literature is thus faced with a large body of writings that are almost as diverse as their individual authors. For the purposes of this discussion, these authors are grouped into the two categories suggested by Ronald H. Chilcote (1986).⁽¹⁾ Firstly, there are those analysts who view the issues from a 'capitalist' or liberal market perspective; and secondly, those analysts who view the issues from an essentially 'socialist' perspective. This dichotomous classification is by no means exhaustive of the various strains in the literature on development and underdevelopment, but as Chilcote notes, it does take into account the central issue underscoring the debate: Whether socialism or capitalism is the most appropriate form of political-economy for third world development.⁽²⁾ The first group, who emphasise the

(1) Chilcote, R.H. 1986, LATIN AMERICA: CAPITALIST AND SOCIALIST PERSPECTIVES ON DEVELOPMENT AND UNDERDEVELOPMENT. Boulder, Colorado: Westview Press. See also, Chilcote, R.H. 1984, THEORIES OF DEVELOPMENT AND UNDERDEVELOPMENT. Boulder and London: Westview Press.

(2) No attempt will be made to address this issue in this study.

positive aspects of capitalism are known as the diffusionist theorists of development. The second group, who emphasise the negative aspects of capitalism are known as the theorists of underdevelopment and dependency.

The Diffusionist Perspective.

Central to the diffusionist theories is the notion that development is a process of progressive transformation involving a transition from an essentially feudal or traditional political-economy, to one of advanced capitalism and its concomitant socio-political institutions and practices. These theories, whether based on the 'stages of growth' advanced by Walt W. Rostow (1960) and A.F.K. Organski (1965); the 'modernization' theories of Gabriel Almond (1960) and Lucian Pye (1966); or the 'dual economy' theses of Arthur Lewis (1970) and Joseph Schumpeter (1961)⁽¹⁾, agree that the process of political and economic transformation in the less developed world is to be achieved through a diffusion of technology,

(1) See [a] Rostow, W.W. 1960, THE STAGES OF GROWTH Cambridge: Cambridge Univ. Press. See also, Rostow, 1971, POLITICS AND THE STAGES OF GROWTH New: York, C.U.P.

[b] Organski, A.F.K. 1965, THE STAGES OF POLITICAL DEVELOPMENT. New York: Alfred Knopff.

[c] Lewis, A. 1970, THEORY OF ECONOMIC GROWTH. New York: Harper and Row.

[d] Schumpeter, J. 1961, THE THEORY OF ECONOMIC DEVELOPMENT. New York: Oxford Univ. Press.

[e] Almond, G. and Coleman B. 1960, THE POLITICS OF DEVELOPING AREAS. PRINCETON, P.U.P.

[f] Pye, L. ASPECTS OF POLITICAL DEVELOPMENT. Boston: Little, Brown.

capital and other socio-political institutions and practices associated with Western advanced industrialized states (AIS), to the underdeveloped countries and regions.

The diffusionist theories are thus based on the premise that factors required for progress and growth are to be diffused from the advanced core of the international economy, to the less developed periphery. Robert Gilpin (1987) notes that although diffusionists acknowledge that progress will not be uniform throughout the international economy, they do believe that over the long term, the operation of market forces will result in an equalization of economic levels among nations and regions of the world.⁽¹⁾

From the diffusionist perspective therefore, the obstacles to development lie within the underdeveloped countries (UDC's) themselves, in the nature and operation of their economic, social and political systems, rather than from the operation of the international economy. These obstacles result in an inadequate use of resources, and reflect the inefficiency of government policy. In short, for the diffusionist theorists, 'the poor are poor, because they are inefficient'⁽²⁾

(1) See Gilpin, R. 1987, THE POLITICAL ECONOMY OF INTERNATIONAL RELATIONS. Princeton: P.U.P. p.267. See also Rostow, W.W, 1980, WHY THE POOR GET RICHER AND THE RICH SLOW DOWN. Austin: Univ. of Texas Press, p. 360.

(2) Gilpin, Op. Cit., p. 269.

The Underdevelopment Perspective.

Underdevelopment theories, as Colin Leys (1975) notes, are based on Marx's interpretation of history, an expansion and extension of his ideas to a problem which was still in embryo at his death: The failure of the countries of Africa, Latin America, and Asia to follow a path of autonomous development after they had been brought into the expanding capitalist world economy (through colonialism and imperialism).⁽¹⁾

The essence of underdevelopment theory is that the international economy operates to systematically distort the economies of UDC's. Thus development and underdevelopment become two poles along an interactive continuum that generates wealth for the few, and poverty for the many. Despite considerable differences in emphases, underdevelopment theories can be generalized as being based on the following propositions.

1: The first general proposition recognizes a causal relationship between the historical expansion of international capitalism and the progressive impoverishment of the periphery. Underdevelopment is thus seen as a specific historical development, a process generated by a

(1) Leys, Colin, 1975, UNDERDEVELOPMENT IN KEYNYA. London: Heineman, p7.

historically-rooted relationship of exploitation, beginning in the period when any given region of today's third world began to be incorporated into the expanding capitalist world economy. This process (of underdevelopment) is maintained by an infrastructure that reinforces stagnant economic and socio-political institutions in the periphery, and is further strengthened by the cooperation of allied social classes who have an interest in maintaining the status-quo. Hence in the words of Frank, A.G, 'underdevelopment was developed.'⁽¹⁾

2: The second general proposition underlying underdevelopment theory therefore, recognizes that it is impossible for the UDC to develop in the same way as the already industrialized states because their economies are conditioned by an exploitative relationship with the latter.⁽²⁾ Development and underdevelopment therefore, are simultaneously occurring

(1) Frank, A.G, "The Development of Underdevelopment." in MONTHLY REVIEW, Sept. 1966, V.18, pp.17-32. This general proposition points to one of the major differences between the diffusionist and underdevelopment perspectives. The former see Underdevelopment as a *condition*, reflecting factors within the UDC itself. The latter see it as a *process* (of alienation and impoverishment) resulting from factors external to the UDC, in the nature and operation of the international capitalist economy. See Gilpin, Op. Cit., p.268.

(2) Development through socialism is advocated by the majority of theorists, although there are some, like Cardoso, F.H, who believe that capitalist development is possible. He calls this 'dependent capitalist development.' See Cardoso, F.H., 1979, DEPENDENCY AND UNDERDEVELOPMENT. Berkeley: Univ of California Press.

processes, and although the UDC may advance in absolute terms, it will always be backward in relative terms. In essence therefore, the poor are poor, not because they are inefficient, but because they are exploited. The nature of this relationship of exploitation is expressed in different ways by different theorists.⁽¹⁾

The experience of Latin America, where a substantial indigenous property-owning class exists, but where the goal of autonomous development has been elusive, produced dependency theories, variants of underdevelopment theory, which account for the relationship of exploitation in terms of the concept of 'dependency'.⁽²⁾ This concept points

(1) Paul Baran (1957) and A.G. Frank (1966) for instance, utilise the concept of 'economic surplus' (defined as the difference between what is produced and the cost of both production and the maintenance of the producer). This surplus is appropriated by foreign monopoly capital which prevents the accumulation of capital locally. Arghiri Emmanuel (1972) and Samir Amin (1976) describe the relationship of exploitation in terms of 'unequal exchange' of goods and services between the UDC's and the AIS. Unequal exchange is based on a distorted international specialization and division of labour, and results in a transfer of value from the UDC's to the AIS, during trade.

(2) Dependency theory grew out of the disillusionment of Latin American social scientists with attempts in the 1950's and the 1960's to transform the international economic order. The policies conceived by the Economic Commission for Latin America (ECLA), under the auspices of the United Nations, and applied by the various national governments of the region, did not produce the expected development change. See Alschuler, L.R. 1978, PREDICTING DEVELOPMENT, DEPENDENCY AND CONFLICT IN LATIN AMERICA, Ottawa, Univ. of Ottawa Press.

to the existence of an asymmetric relationship, one of subordination-superordination, between states in the international system, such that the economy of one state (the dependent one) becomes subordinate to, and is conditioned by, the economy of another state (the dominant one). From this perspective, the more a country becomes dependent, the more it becomes underdeveloped.⁽¹⁾

The concept of dependence has emerged pre-eminent in the analysis of the dynamics of underdevelopment. In sub-section four below, the way in which this concept is to be applied in the analysis of the foreign economic strategies of Jamaica and Trinidad, is specified.

3: Critique of the two Perspectives.

The above discussion presented an overview of the diffusionist and underdevelopment theories. The major differences between the two approaches relate to different conceptions of the nature and operation of the international economy. Thus for instance, whereas diffusionist theories emphasise 'comparative advantage' in international trade,

(1) While the converse may well hold for developed economies, the concern is limited to the dependency dynamics of UDC's. See Dos Santos, Theotonio. 1970, "The Structure of Dependence" in AMERICAN ECONOMIC REVIEW, (60) May, 1970, pp. 231-263.

underdevelopment theories stress 'unequal exchange.' Whereas diffusionist theories emphasise the interdependence of the international economy and the equalization effects of market forces,⁽¹⁾ underdevelopment theories emphasise dependence, leading to greater disparity between the 'haves' and the 'have nots.' Finally, whereas diffusionist theories emphasise that the transfer of capital, technology, and so on leads to growth, industrialization and development, underdevelopment theories stress that this leads to 'the development of underdevelopment' (Frank), growth without development (Dos Santos), or even 'dependent capitalist development' (Cardoso).

One of the limitations of the diffusionist theories is the tendency to treat descriptive typologies as causal explanations. The symptoms or characteristics of underdevelopment are treated as the causes, thus concealing the realities of the lack of development in the third world. Thus for instance, the preponderance of subsistence agriculture, the dearth of technology, entrepreneurial and managerial skills, and the existence of

(1) Gilpin notes that to support the thesis of the growth-inducing effects of international market forces, diffusionists contrast the economic successes of the 'export-led' growth strategies of the Asian newly industrializing countries (NIC's), Singapore, Taiwan, Hong kong and South Korea, with the failure of the 'import-substitution' strategies of most Latin American states. See Gilpin, Op. Cit. p. 269.

'dual' or 'parallel' economies, which are typical of underdevelopment, are merely descriptive or symptomatic factors. Faulty theorizing occurs when it is supposed that they are causal explanations.

A second and related limitation of the diffusionist theories is that their emphasis on factors and conditions internal to the UDC's neglects the wider international context within which development and underdevelopment occur. Thus for instance, factors such as transnational elite linkages and the interests of powerful groups of states, which are important components in the economic relations between states, are largely ignored. Underdevelopment theories on the other hand, do emphasise external factors, and although this is a definite advancement over the former position, there is a tendency within the underdevelopment school to go to the other extreme, emphasising only external factors. This results in explanations that are not only deterministic and simplistic, but also quite illogical.

For instance, the crux of the argument of some approaches within the underdevelopment school seems to be that there is a 'conspiracy' of some sort in which the international economy, controlled by a core of advanced capitalist states, operates in a planned and systematic way to 'thwart'

the development of third world countries.⁽¹⁾ If this is indeed the case, how then do we account for the impressive economic gains of the Asian NIC's? These countries, which not so long ago were just as underdeveloped as the countries in Africa and Latin America, are developing at rapid rates within the context of the international capitalist economy. Thus to base an explanation for underdevelopment on the assumption of a conspiracy is, to put it mildly, quite unacceptable.⁽²⁾ While it is acknowledged that there are factors inherent in the nature and operation of the international economy that are detrimental to the economic interests of UDC's, it must also be acknowledged that there are factors within the UDC's themselves that are also operative.

Another limitation of diffusionist theories is that most approaches display an ethnocentric bias in that they tend to favour a particular (Western) economic and political model. Thus as Chilcote notes, they tend to be ideological in their assumption of pluralistic consensual politics which does not allow for conflict as a vehicle for transformation, and dogmatic in their insistence that development is a linear progression

(1) This 'conspiracy' theory is evident in the works of Baran (1957) and Frank (1966) for instance.

(2) Indeed it could be argued that underdevelopment theory, especially in its more mechanistic versions, does not really explain the causes of underdevelopment. They merely describe what happens to the UDC in the face of imperialism. See Leys, Colin, Op. Cit. pp. 18-19.

through historical stages.⁽¹⁾ From the underdevelopment perspective on the other hand, political conflict in the UDC takes on a new meaning. Instead of reflecting the lack of 'modern' institutions for managing conflict, to be remedied by a diffusion of 'modern' (i.e, Western) political culture (as for instance Pye and Almond would have us believe), political conflict is seen as the outcome of increasing economic and social polarization both within the UDC's and between them and the developed countries.⁽²⁾

The two perspectives thus have limitations that weaken their explanatory potential. It is through explicit reference to the international context of development however, that underdevelopment theories mark a significant advancement over the diffusionist theories. The foreign economic policy behaviour of Jamaica and Trinidad will be viewed as occurring within the context of an international economy characterized by asymmetric relationships. And although the concept of dependence will be used to explain the nature of this relationship, the danger must be avoided of modelling dependent relations as the sole

(1) See Chilcote, R.H. 1984, Op. Cit. p. 11.

(2) See Alschuler, L.R. 1978, Op. Cit. p. 1-2.

explanatory factors. In the section below, the way in which dependency is to be applied in the subsequent analysis, is specified.

4: Dependence, Underdevelopment and Foreign Policy.

Theotonio Dos Santos has offered perhaps the most widely accepted definition of dependence:

"By dependence is meant a situation in which the economy of certain countries is conditioned by the development and expansion of another economy to which the former is subjected. The relationship of interdependence between two or more economies, and between these and world trade, *assumes the form of dependence when some countries (the dominant ones) can expand and be self-sustaining, while other countries (the dependent ones) can do this only as a reflection of that expansion, which can have either a positive or a negative effect on their immediate development.*" ⁽¹⁾ (Emphasis added)

Dependence therefore implies both a reduction in the capability of a state to formulate policy autonomously, and a situation in which the behaviour of one state (the dependent one) is constrained, directly or indirectly, by a skewed relationship with another state, or groups of states, within

(1) Dos Santos, Theotonio, Op. Cit. p.231.

an asymmetric international economy. Dependence should be seen as a relative situation since it is a matter of degree rather than of kind. Countries are more or less dependent rather than absolutely dependent or not. As Benjamin Cohen (1973) notes, to the extent that no state in the contemporary world can be considered to be autarchic or completely self-sufficient, degrees of dependence and interdependence are the norm.⁽¹⁾ Thus the degree of relative dependence may be conceptualized along a continuum with absolute dependence (or complete domination) and absolute autonomy (autarchy) as the opposite extremes of the same continuum. Between these two extremes will be varying degrees of dependence and interdependence.

Underdevelopment is considered to be a process of socio-economic deformation and dislocation, arising from, and perpetuated by the structures of dependent relations existing between UDC's and the centers of the international economy. The relationship between dependence and underdevelopment therefore is considered to be one of reciprocity: Dependence reinforces underdevelopment; underdevelopment reinforces dependence.

(1) Cohen, Benjamin. 1973, THE QUESTION OF IMPERIALISM. New York, Basic Books, p. 191.

In view of the fact that this study is not concerned with explaining the causes of underdevelopment, no attempt will be made to empirically verify this relationship. Instead, the working proposition is that a relationship of reciprocity does exist. If these concepts as above defined are to have any explanatory value in our analysis of the foreign economic policies of Jamaica and Trinidad however, we must:

- 1: Lay down and specify the characteristics of dependent/ underdeveloped states not found in autonomous/ developed ones; and
- 2: show that these characteristics affect the course and pattern of their foreign policy behaviour.⁽¹⁾

The use of the concepts therefore, will be restricted to the provision of a descriptive or classificatory typology, specifying those structures and relationships that are considered to be typical of dependence and underdevelopment, and of demonstrating the effects of these on foreign economic policy. This will be done in Part Two when we develop the conceptual framework.

(1) see Sanjaya Lall, 1975. "Is Dependence a useful concept in analysing Underdevelopment?" in WORLD DEVELOPMENT, 2, #11, pp. 799-810.

SECTION THREE

LITERATURE SURVEY: COMPARATIVE FOREIGN POLICY THEORY.

Comparative Foreign Policy Theory and the Study of Third World Foreign Policies: A Case of Mutual Underdevelopment?

1: Introduction.

In this section, the premises of selected approaches to the comparative study of foreign policy are evaluated in the light of the subject-matter of this study. The central concern, to reiterate, is with comparing the foreign economic policies of two countries which are considered to be dependent and underdeveloped. The survey is thus designed to explore the strengths of the selected approaches and adapt them into a framework that is in tune with our research objectives.

The two main approaches to be evaluated are the Adaptive approach of James N. Rosenau,⁽¹⁾ and the Situation-role model of Bahgat Korany.⁽²⁾ Included are references to the works of selected analysts who have studied the foreign policy processes in UDC's.

The criteria for evaluation are:

1: How well the approaches allow for classification and comparison; and

(1) Rosenau, J.N. 1961, 1970A, 1970B, 1974, and 1981.

(2) Korany Bahgat, 1976, SOCIAL CHANGE, CHARISMA AND INTERNATIONAL BEHAVIOUR: Towards a Theory of Foreign Policy Making in the Third World. Leiden, Sitjhoff.

2: the relevance (to our subject matter) of the kinds of questions raised, and the extent to which their explanatory variables and analytical techniques take cognisance of the complexities of the foreign policy processes in UDC's.

Before proceeding with the survey, and in order to place our discussion in the proper context, it should be noted right at the outset that one of the major obstacles to the comparative study of foreign policy is the absence of a widely accepted theory, embodying a general classificatory and explanatory framework, to facilitate cross-national comparisons. This deficiency becomes especially noticeable in the study of third world foreign policies. The views expressed by a leading third world foreign policy theorist support this observation.

Commenting on the current state of third world foreign policy studies, Korany (1986)⁽¹⁾ contends that it is 'barren', with limited help forthcoming from established theory. Current theory has failed, not only to raise the necessary questions, but has also failed to "provide the proper guidelines for cumulative, empirically rigorous, and conceptually relevant studies."⁽²⁾ This failure is a reflection of the undue bias,

(1) Korany, B. 1986 (ed), HOW FOREIGN POLICY DECISIONS ARE MADE IN THE THIRD WORLD: A COMPARATIVE ANALYSIS. Boulder and London: Westview Press. p. 39.

(2) _____, 1983, "The Take-off of Third World Studies?: The Case of Foreign Policy." In WORLD POLITICS, (35), April, p. 446

inherent in established models, towards overemphasising subjective psychological variables related to the perceptions of decision makers, largely to the exclusion of objective factors such as the domestic-societal and the external-systemic. This bias has not only created a reductionism and simplification of the complexity of the social processes in UDC's, but the emphasis on unique idiosyncratic attributes makes difficult any meaningful comparison.⁽¹⁾

At issue therefore is the relative importance of three levels of analysis in the explanation of foreign policy behaviour: The individual-psychological; the state-societal; and the international-systemic.⁽²⁾ It is our contention that all three levels are interdependent and complementary. Any approach that fails to emphasise the interdependence of all three levels would paint an incomplete picture of the foreign policy processes in UDC's.

2: The Adaptive Approach to the Study of Foreign Policy.

Rosenau's approach, the adaptive approach, focuses on how states respond to the constraints and opportunities provided by the international

(1) Psychologism has been a feature of the Decision-making school of foreign policy studies. See for instance, Herman, Margaret, "Explaining Foreign Policy using the Personal Characteristics of Political leaders." in INTERNATIONAL STUDIES QUARTERLY, (24) #1, March, 1980, pp.7-46. See also, Snyder, Richard, *et al*, FOREIGN POLICY DECISION MAKING, New York, Free Press, 1966.

(2) See Singer, David, J. 1969, "The Level of Analysis Problem in International Relations" In Rosenau (ed) 1969, pp.20-29.

environment. The approach is based essentially on the premise that all states can be viewed as adapting 'entities' with comparable problems that arise out of the need to cope with challenges from their environments.⁽¹⁾

The concept of adaptation as applied to foreign policy thus denotes any behaviour or action undertaken by the decision makers of a state, to cope with or stimulate changes in the external environment that contribute to keeping its 'essential structures' within 'acceptable limits' of variation.⁽²⁾ The essence of Rosenau's approach rests on the general proposition that the performance of the structures of a society cannot be maintained unless some form of behaviour is undertaken with respect to the external environment.⁽³⁾ It is this behaviour that constitutes foreign policy.

This conception of foreign policy appears to be passive in that there

(1) Rosenau, 1970A, p.366.

(2) _____, 1970A, p.367. There are four structures characteristic of the foreign policy actor (state) that are 'essential' because they are the 'preconditions' for the survival of the state. Rosenau defines these structures in terms of the physical, economic, political and social interactive patterns of groups and individuals within the state. The performance of these structures must be maintained, or improved (i.e, kept within 'acceptable limits' of variation) to ensure the continuation and survival of the state. See also Rosenau, 1970B, p.21.

(3) The environment does not include everything external to the state, but only those changes that are 'salient' with respect to the essential structures. In other words, factors and conditions in the external environment affect foreign policy only in so far as these changes affect the performance of the structures. See Rosenau, 1970A, pp. 371-372.

is the implication that there is no room for initiative in foreign policy making. Rosenau however, emphasises that foreign policy behaviour is necessarily purposeful and goal-oriented. It results when policy makers recognize that action or inaction is required to stimulate or forstall changes in the international environment in order to maintain or improve the performance of the state's structures.⁽¹⁾ The goal or objective of foreign policy therefore is self-preservation, and policies that enhance the performance of the state's structures (and hence strengthen its chances of survival) are adaptive; policies that lessen its chances are 'maladaptive'.⁽²⁾

From the adaptive perspective, the goal of research is to comprehend how classes of nations adapt to their environments - a goal that can only be achieved through comparison. Herein lies the major strength of Rosenau's approach: He has furnished an elaborate explanatory framework - not a theory - but a system of classification that lends itself readily to widespread application (with suitable modifications).

Rosenau has identified and classified four logically possible patterns of foreign policy behaviour based on the relative importance attached to

(1) Rosenau, 1974, p.6.

(2) _____, 1970B, pp.2-3.

structural and environmental variation by decision makers in the formulation of policy.⁽¹⁾ Rosenau considers the 'promotive' foreign policy, in which neither structural nor environmental factors are causally operative, to be typical of underdeveloped countries. In the case of a promotive foreign policy, Rosenau indicates that another variable - leadership - becomes causally operative, and this variable comprises the perceptions, values and attitudes of decision makers.

Rosenau has also developed elaborate categories of explanatory variables which account for variations in foreign policy behaviour and form the basis of his 'pre-theory'. Briefly, these categories are: a) The type of actor, comprising the size of the state (small vs. large), and the state of the economy (rich vs. poor); b) the four actor attributes or source

(1) These are, the 'Promotive' foreign policy in which the actor is not responsive to changes in the environment or its structures; the 'Preservative' foreign policy in which the actor is responsive to changes in both the environment and its structures; the 'Acquiescent' foreign policy in which the state is responsive mainly to changes in the environment; and the 'Intransigent' foreign policy in which the actor is mainly responsive to changes in its structures. These are the four logically possible foreign policy strategies because if we consider only two independent variables (environmental change and structural change) there are only four possible combinations: Both are influential; neither is influential; environmental only is influential; and structural only is influential. See Rosenau, 1970B, p.3-16.

variables;⁽¹⁾ c) the nature of the relationship between the actor and the target of its behaviour; and d) the type and rate of environmental change.⁽²⁾ Variations in and among these variables determine the type of foreign policy strategy that will be adopted. Of the four actor attributes or source variables, Rosenau ranks the idiosyncratic as the most potent in the case of the foreign policy strategies of underdeveloped states. They are also most likely to adopt the promotive foreign policy in which, as noted, the influence of the structures and the environment is zero, or at best, minimal. Rosenau's hypothesis could be stated as follows: In large or small, 'open' or 'closed', underdeveloped societies, variations in the individual characteristics of leaders is the most important determinant of their foreign policy strategy. (See table 1.1 below)

The simplicity of this formulation contrasts sharply with the elaborate sophistication of Rosenau's overall framework, and in this respect, it suffers from the unfortunate bias of psychological reductionism. This bias, as noted earlier, reduces the complexity of the foreign policy processes in UDC's to the idiosyncracies of the 'great man'.

(1) The four actor attributes or source variables are: The idiosyncratic; governmental structure; socio-economic patterns; and systemic.

(2) Rosenau, 1966, pp.47-49.

Rosenau's assumption that policy makers of any state, let alone of small, underdeveloped states, are free of , or could ignore, environmental and structural constraints to pursue a 'promotive' foreign policy is difficult to accept. Our reasoning is simple:

From Rosenau's perspective, foreign policy behaviour is an adaptive response on the part of the decision makers of a state to the constraints and opportunities provided by the environment. However, given the structures and processes of underdevelopment and dependency, we consider the constraints of the environment to be such that the options available and the decisional latitude open to policy makers, become severely limited. These constraints (for instance, foreign penetration into the economy, vulnerability to external economic pressures, and domestic social fractionalization and polarization) operate in such a way that before any decision is made, it has already been channelled in a particular direction, irrespective of the idiosyncracies of the policy maker. Thus while the importance of the idiosyncracies of policy makers is acknowledged, the constraints on his/her behaviour emanating from the environment and the structures, must also be acknowledged.⁽¹⁾

(1) Of the four broad foreign policy strategies Rosenau posits, it would seem more likely that small UDC's like Jamaica and Trinidad, would adopt the strategy in which the influence of the environment and the structures are strong - the 'preservative' strategy. This observation however, is illustrative of the strength of Rosenau's approach: His classificatory framework is open to empirical falsification.

Table 1.1. An abbreviated version of Rosenau's pre-Theory of foreign policy in which the explanatory variables underlying foreign policy are ranked according to their relative potencies.

Table 1.1 The Relationship Between the Type of Society and the Types of Independent Variables Associated with Foreign Policy Outputs

Geography and Physical Resources		Large Country				Small Country			
State of the Economy		Rich		Poor		Rich		Poor	
State of the Polity		Open	Closed	Open	Closed	Open	Closed	Open	Closed
Rankings of	So	I	I	I	Sy	Sy	I	I	
Variables in Terms	G	G	So	G	So	I	Sy	Sy	
of Covariance with	Sy	Sy	Sy	Sy	G	G	So	G	
Foreign Policy	I	S	G	So	I	So	G	So	
Patterns									
Illustrative									
Examples									
c. 1972	USA	USSR	India	China	Holland	Greece	Gambia	Thailand	

KEY: So = Societal Sy = Systemic
 G = Governmental I = Individual

SOURCE: Modified from Rosenau (1966: 48).

That the political process in many UDC's is personalized, with foreign policy very often being the prerogative of the national leader, is conceded. Other groups and individuals however, directly or indirectly, do influence policy making. Robert Rothstein (1977) characterizes the policy making process in UDC's as a 'resource-gap' problem involving group conflict.⁽¹⁾ The impact of the resource-gap is heightened conflict among groups (ethnic, racial, religious and/or economic) who are committed to the protection of their own interests. Thus if the foreign policy field as an arena of choice is one of opportunities and constraints, then the UDC enters this arena with the double burden of "an international system of increasing complexity" and a "domestic base that is less secure and less manageable."⁽²⁾ These factors limit the policy options available to the decision maker.⁽³⁾ By characterizing the policy making process as a

(1) The 'resource-gap' denotes a situation of social fragmentation and political conflict arising from the insufficiency in, and the inability of, available economic resources to meet the rising demands of the population. See Rothstein, Robert. 1977, THE WEAK IN THE WORLD OF THE STRONG: The Developing Countries in the International system. New York: Columbia University Press.

(2) Rothstein, ibid, p. 62.

(3) This is not to suggest that the constraints of dependency make the foreign policy behaviour of UDC's merely one of compliance with the wishes of a dominant state. The dynamics of dependent relations are more complex than that. See for instance Richardson Neil, R. FOREIGN POLICY AND ECONOMIC DEPENDENCE. Austin and London: Univ of Texas Press, 1978. Richardson in this study, attempts to show how economic dependence is reflected in policy behaviour, and utilizes cross-sectional correlations of

resource-gap problem, Rothstein's approach opens up the 'black box' of the foreign policy processes in UDC's.

If the foreign policy processes in UDC's could be reduced to, and be explained solely by reference to, the idiosyncratic attributes of national leaders, how then do we account for instances of continuity in foreign policy even after a change in leadership? A leadership change is not always accompanied by a change in policy behaviour as the case of Trinidad illustrates. In such an instance is it to be assumed that the idiosyncratic attributes of the new leader are identical to that of the old? A more valuable explanation could surely be obtained from a broader examination of the structural and environmental constraints that limit their options.

Rosenau's approach therefore, is valuable in respect of its elaborate classificatory framework that facilitates comparison. Our

aid and trade with U.N. roll-call votes. He equates dependent foreign policy behaviour with compliant behavior, as partial payment in exchange for the maintenance of benefits derived from economic ties to the dominant country. Richardson rejects most of his hypotheses. The questions of whether the diversity of a country's foreign policy behaviour can be reduced to its roll-call votes, and the validity of equating dependent behaviour with compliant behaviour, must be raised. An alternate model is advanced by Bruce E. Moon. His model emphasises multiple constraints on the behaviour of both the dependent and the dominant state. Thus the foreign policy behaviour of dependencies becomes one of constrained consensus rather than one of compliance. See Moon Bruce E. "Consensus or Compliance: Foreign Policy Change and External Dependence" in JOURNAL OF INTERNATIONAL ORGANIZATION, (2), Spring, 1985. pp.297-329.

conceptual framework will be based on his approach, viewing foreign policy behaviour as adaptive behaviour. In view of the limitation discussed above, we must adjust his framework to open the 'black box' of the social processes in the UDC. We therefore look to the 'situation-role' model of Bahgat Korany.

3: The Situation-Role Model of Foreign Policy Behaviour.

The situation-role model, as developed by Baghat Korany (1976) in his analysis of nonaligned behaviour, is based on the premise that the foreign policy behaviour of a state is a function of the 'situation' it confronts.⁽¹⁾

The situation is a sociological concept that emphasises the interdependence of numerous variables, and points to a pattern of relationships among events, objects, conditions and other actors around a focus which is the center of interest for the policy maker (and hence for the researcher).⁽²⁾

Korany's model is built upon the the 'definition of the situation' construct developed by Richard Snyder *et al* (1966),⁽³⁾ who employed it in

(1) Korany, 1976, p.68.

(2) _____, ibid, p.68.

(3) Snyder, R.C, *et al*, 1966, FOREIGN POLICY DECISION MAKING. New York: Free Press.

the analysis of the making of specific decisions in crisis situations. Unlike Snyder *et al*, who emphasised that the situation is internal to the decision maker, and could only be defined subjectively by reference to his/her perceptions, Korany posits that the situation is comprised of both objective and subjective components, and is defined in relation to three interdependent and complementary levels of analysis.⁽¹⁾ It is the situation therefore, that determines foreign policy behaviour, and it is within the situation that the influences on foreign policy are to be found.⁽²⁾

Although Korany's model lacks the classificatory potential of Rosenau's framework, his concept of a situation as the determinant of foreign policy behaviour is useful. The concept integrates objective structural and systemic variables with the subjective policy maker's perceptions. Equally importantly, it takes into account the factor of time, a factor that is largely ignored in Rosenau's approach.⁽³⁾ Thus by

(1) These are the psychological-perceptual level (subjective component); the domestic-societal level (objective component); and the external-systemic level (objective component). See Korany, *Op. cit.* pp.67-68.

(2) A similar approach is advanced by Holsti, K.J. (1967) INTERNATIONAL POLITICS: A FRAMEWORK FOR ANALYSIS. Englewood Cliffs, N.J: Prentice-Hall.

(3) Nowhere in Rosenau's framework is time an explicit variable. Rosenau however, does talk about types and rates of environmental change.

integrating the concept of a situation into Rosenau's adaptive perspective, we obtain an approach that views foreign policy behaviour as an adaptive response to the constraints and opportunities provided by a situation. The 'situation' with which this study is concerned is one of dependence and underdevelopment. This formulation will allow us to develop a framework for the comparative analysis of the foreign economic strategies of Jamaica and Trinidad that meets our criteria: It will allow for comparison and classification (which is the major strength of Rosenau's approach); and it will take cognisance of the complexities of the foreign policy processes in UDC's by emphasising the interdependence of objective structural and systemic variables, and subjective psychological variables.

SECTION FOUR.

CONCLUSION

This section of the thesis has introduced the purpose, scope and method of the study, together with a literature survey on development and underdevelopment, and on the comparative study of foreign policy. The survey introduced the main perspectives, concepts and terms to be employed in the analysis of the foreign economic strategies of Jamaica and Trinidad.

On the basis of the considerations expressed in our survey, The foreign economic strategies of Jamaica and Trinidad are to be viewed as an adaptive response to the situation of dependency and underdevelopment. We can therefore relate dependency/underdevelopment as a situation, to foreign economic policy, by examining how and when factors such as international trade and financial patterns, and foreign investment; domestic socio-economic structure and regime characteristics, and the composition and orientation of social groups; mediated by the perceptions of policy makers, influence foreign economic policy. We must therefore be innovative and adapt the available approaches into a framework that is in tune with our research objectives. Part Two of this study is devoted to this purpose.

PART TWO

THE CONCEPTUAL FRAMEWORK.

In Part One, the premises of some influential approaches to the comparative study of foreign policy were evaluated, and the concepts of dependency and underdevelopment were introduced. The conclusion derived was that considerable innovation was required to develop a framework for comparative analysis that was in tune with our research objectives. Since the focus for comparison is on the foreign economic strategies of two UDC's, the framework must not only embody three levels of analysis, but must also provide the necessary guidelines for an analysis of how the foreign penetration associated with dependence and the structural bases of an underdeveloped economy are reflected in foreign economic policy behavior. This part of the thesis is devoted to this purpose.

Part two is divided into four sections. In section one, the objectives are twofold: a) To provide a working definition of foreign policy; and b) to outline the perspective from which foreign policy behavior is to be viewed. Section two elaborates on the independent and the dependent variables to be compared, and specifies the procedures to be followed in observing the phenomena the variables are defined to embrace. Hypotheses are also

developed in this section, to explain the association between the variables. Since this is a comparative study, explicit criteria must be developed for determining when the observed phenomena are similar or dissimilar. These criteria are developed in section three. Section four is the conclusion.

SECTION ONE.

FOREIGN POLICY AS SITUATIONAL ADAPTATION.

1: Introduction.

This section provides a working definition of foreign policy and outlines the perspective from which it is to be viewed, *viz*, as an adaptive response to the constraints and opportunities provided by a situation. This perspective is essentially a synthesis of Rosenau's adaptive approach and Korany's situation-role model.⁽¹⁾

2: Foreign Policy as an Adaptive Strategy.

The adaptive approach to the study of foreign policy focuses on how states respond to the constraints and opportunities provided by the international environment. The approach is based essentially on the premise that all states in the international system can be viewed as adapting entities with comparable problems that arise out of the need to cope with challenges from the environment.⁽²⁾ It is therefore the actions taken by the government of a state in response to the challenges of the external

(1) A survey of these two approaches was provided in Part One, section three.

(2) Rosenau, 1974, p.5.

environment that constitutes foreign policy behavior.

The term foreign policy is thus considered to consist of the actions which governments take in order either to preserve the desirable aspects of the international environment, or to alter its undesirable aspects. Such policy action is necessarily goal-oriented and purposeful, and it involves: a) The selection of objectives; b) mobilization of means for achieving those objectives; and c) the expenditure of efforts and resources in pursuit of selected objectives.⁽¹⁾ Foreign policy *strategy* therefore, is in this study, considered to consist of a collection of such policy decisions and actions, as observed over a period of time.

Foreign policy thus defined is considered to be an adaptive response to challenges from the environment. Adaptation denotes any behavior undertaken by the government of a state to initiate, or cope with, changes in the external environment that contribute to keeping the 'essential structures' of the state within 'acceptable limits' of variation.⁽²⁾ Rosenau identifies four structures that are considered to be essential because their continued performance is vital for the survival of the state. These

(1) See Lentner, H. 1974, FOREIGN POLICY ANALYSIS: A COMPARATIVE AND CONCEPTUAL APPROACH, Columbus, Ohio: Merrill. pp. 3-5.

(2) Rosenau, 1970A, p. 367.

structures are the Physical, Economic, Political and Social patterns of interaction between groups and individuals within the state. The Physical structure represents the patterns whereby the life and property of a society is preserved and protected; the Economic structure represents the patterns whereby goods and services are acquired and distributed; the Political structure represents the patterns whereby policy decisions are made and implemented; and the Social structure represents the patterns whereby the cooperation of the members of the society is achieved and maintained.⁽¹⁾

These structures are affected by changes in the state's external environment, and adaptive behavior is directed at controlling the nature and extent of the effects of the external environment on these structures. Decision makers therefore act in order to control the variations in the performance of the structures of their society, to keep the variations within 'acceptable limits' - a phrase synonymous with continuance or survival.⁽²⁾ The goal or objective of adaptive foreign policy behaviour therefore, is self-preservation; thus any foreign policy action that

(1) Rosenau, 1970B, p.21.

(2) See McGowan, P. J. "Problems in the Construction of a Positive Theory of Foreign Policy." In Rosenau, 1974, pp.30-31.

maintains or increases the possibility of survival of the state are adaptive, and policies that lessen its chances, are maladaptive.

Since this study is concerned with foreign *economic* policy, the focus is on the performance of the economic structure. The proposition here is that in the context of dependent/underdeveloped states, variations in the performance of the other structures are a reflection of variations in the performance of the economic structure. This position is explained as follows.

The structures of a state, especially the interactive patterns in its political and social life, are in the context of dependence/underdevelopment, a reflection of the impact of the resource-gap. The resource-gap denotes a situation in which aggregate demand is in excess of the supply of available economic resources, a consequence of the insufficiency in, and inability of, available resources to meet the rising demands of the population. The existence of the resource-gap is a reflection of the dislocations in production and distribution arising from underdevelopment. The patterns of interaction in the political and social structures of an underdeveloped state, therefore, are a reflection of the existence of this resource-gap: A relatively low level of social and political cohesion arising from the fractionalization of the polity on

ethnic, racial, religious and/or economic bases. The impact of the resource-gap therefore, is an intensification of conflict, a 'we/they' division of the polity, and a scramble for political power by groups and individuals who are committed to the protection of their narrow interests.⁽¹⁾

It is in this respect therefore, that as far as underdeveloped states are concerned, the economic structure is considered to be fundamental. The patterns of relations in the political and social structures are a reflection of the performance of the economic structure, and there tends to be a correlation between economic performance and the performance of the political and social structures: The stronger the economy, the stronger will be the performance of the political and social structures, in the sense that there will be greater political consensus and greater social cooperation (i.e, the impact of the resource-gap will diminish). On the other hand, the weaker the performance of the economic structure, the weaker will be the performance of the political and social structures, in that there will be greater social fractionalization and political conflict

(1) See Rothstein, Robert. 1977, THE WEAK IN THE WORLD OF THE STRONG. New York: Columbia Univ. Press. pp.181-182.

(i.e, the impact of the resource-gap will be greater).⁽¹⁾

In this study therefore, if it can be demonstrated that foreign economic strategy 'X' improves or maintains economic performance 'Y', then strategy 'X' is an adaptive strategy. If on the other hand strategy 'X' worsens, or fails to maintain economic performance 'Y', then that strategy is a maladaptive strategy.

3: The Situation and Foreign Policy.

Foreign policy strategy has been defined to consist of the actions governments take either to initiate or to cope with changes in the international environment in order that the performance of the structures of their society are maintained or improved. Foreign policy so defined, is considered to be an adaptive response to the constraints and opportunities provided by the external environment which affect the structures that make up the internal (or domestic) environment of the state. The 'environments' in this context, are defined in terms of the concept of a 'situation'.

(1) It is acknowledged that there may be exceptions to this general proposition, as for instance, in states where there is a remarkably high level of social cohesion and political stability despite the widespread poverty and the paucity of available resources. An example might be the African nation of Lesotho. In such instances, other factors, including prevailing social values and traditions, may account for the relatively high level of cohesion. There might also be instances where despite a strong economy, the level of social and political conflict remains high.

The 'situation' defines the environmental context within which policy makers act, and it refers to a pattern of relationships among events, objects, conditions and other actors, around a focus which is the center of interest for the policy maker.⁽¹⁾ In this study, these patterns of relationships are considered to be those associated with dependence and underdevelopment. These might include patterns of foreign penetration into the state's economy, its indebtedness to external financial institutions, and the impact of the resource-gap.

In this study therefore, foreign policy strategy is considered to be an adaptive response on the part of policy makers to the constraints and opportunities provided by the situation of dependence/underdevelopment. From this perspective, rather than viewing the foreign policy options of a state as unlimited, we seek to ascertain those features of its dependency and underdevelopment that shape and influence its foreign policy strategy.⁽²⁾ It is in this respect that we speak of 'opportunities and constraints', and it is therefore within the situation that the influences on and the determinants of foreign policy are to be found.

(1) Korany, Bahgat, 1976, p.68. Other analysts have employed similar concepts to explain the environmental context of foreign policy behaviour, such as the 'social field', and 'milieu'. See Sprout, H. and Sprout, M. 1957, "Environmental Factors in the Study of Foreign Policy." in JOURNAL OF CONFLICT RESOLUTION, V.1 pp.309-328.

(2) At a minimum, we should be able, from an assessment of the constraints of a state's situation, to rule out certain policy options.

The situation (of dependence/underdevelopment) is considered to comprise external and internal, objective and subjective components, which are defined in relation to three levels of analysis.⁽¹⁾ The nature of these components is briefly outlined below. They will be discussed in detail in section two when we elaborate on the independent and dependent variables.

The External Situation: This comprises changes in the patterns of dependent relationships (i.e, the structures, events and the conditions associated with dependency) occurring between a state and its external environment, and which affect the performance of the state's essential structures. These relationships are divided into two broad components: Economic and political. The patterns of relationships in the international environment affect foreign policy behavior only in so far as these relationships affect the performance of the essential structures.⁽²⁾

The Internal Situation: This comprises two components: The Societal component, and the Leadership component. The Societal component includes variations in the performance of the state's structures - the physical and economic, and the social and political structures - which are

(1) See Korany, 1976, pp.67-84.

(2) This observation is in keeping with Rosenau's 'salient' environment. See Rosenau, 1970A, pp. 371-372. See also Part One, section three, p.36, footnote #3 of this Study.

affected by changes in the external situation, and are a reflection of the existence of the resource-gap. The societal component of the internal situation together with the external situation comprise the *objective situation*, and provide the environment of constraints and opportunities within which policy makers act. The foreign policy action that will be taken therefore, is a reflection of the subjective integration policy makers have fashioned of the constraints and opportunities of the objective situation.⁽¹⁾ This is the second component of the internal situation - the leadership component. The leadership component includes the role conception and enactment of key policy makers, as reflected in their leadership style and disposition, their goals and values, attitudes and ideologies. The leadership component comprises the *subjective situation*.

The interdependence and complementarity of these objective and subjective components derives from the fact that the objective situation, as the arena of constraints and opportunities within which policy makers act, conditions and shapes foreign policy, and places limits on the range of policy options and the decisional latitude available to decision makers. The influence of the objective components of the situation however, are mediated by the subjective integration decision makers have fashioned of

(1) This proposition is based on the assumption that given a set of opportunities or a particular situational context, certain behaviours are

the available opportunities, and/or the severity of the constraints. Thus although foreign policy action is ultimately a reflection of the perceptions of the policy maker, the constraints (and opportunities) of the objective situation provide the parameters and set the boundaries on the range of action available to the policy maker.

Thus methodologically, the leadership component links the external to the societal influences on foreign policy since policy makers, acting on the basis of their perceptions, occupy the middle position, linking the international system to the domestic environment. Operationally, the leadership component helps us to not only avoid an overly mechanistic explanation, modelling dependent relations as the sole explanatory factors, but helps us to account for goals, values and objectives (the 'national interest') which are important considerations in the determination of foreign policy behaviour.⁽¹⁾ Table 2.1 below summarizes the relationship between the situational components.

probable because of certain patterns of predictability in human behaviour. This assumption is based on what Harvey Starr calls 'environmental probabilism'. See Starr, Harvey, and Papadakis, Maria. 1986. "Opportunity, Willingness, and Small States: The Relationship between the Environment and Foreign Policy." in Herman, Charles, and Rosenau (eds) NEW DIRECTIONS IN THE STUDY OF FOREIGN POLICY. Boston: Allen and Unwin.

(1) See Korany, 1976, pp.83-86. See also, Holsti, O. 1962, "The Belief System and National Images." in JOURNAL OF CONFLICT RESOLUTION 6, Sept. pp.244-252.

Table 2.1

The Components of the Situation that Determine foreign policy behaviour.

	External Situation	Internal Situation
Objective Situation (Provides environment of constraints and opportunities)	Changes in : a) The position of the state in the inter-national economy. b) The position of the state in international politics.	Changes in the performance of the state's essential structures: The physical & economic structure and political & social structure. (The societal component).
Subjective Situation. (reflects the perceptions of policy makers)		The leadership component. The role conception and enactment of national leaders as reflected in their values and goals, attitudes and ideology, leadership style and disposition.

SECTION TWO

THE INDEPENDENT AND DEPENDENT VARIABLES.⁽¹⁾

Variables are classified as dependent or independent and derive their meanings partly from their relationships to each other. The dependent variable (y) responds to the presence of, and/or the changes in, the independent variable (x). The dependent variable therefore can be predicted by knowing something about the independent variable. In this study, foreign economic policy strategy is taken as the dependent variable, and the presence of, and/or the changes in, the components of the situation (of dependence/underdevelopment) as the independent variables. This is because we consider foreign economic strategy to be an adaptive response to the constraints and opportunities provided by the situation.⁽²⁾

(1) Unless otherwise indicated, the definitions of the various economic terms and indices employed in this section, are obtained from the following sources.

a) Morton, K. and Tulloch, P. 1977, TRADE AND DEVELOPING COUNTRIES. London: ODI.

b) Blake, D. and Walters, S. 1983, THE POLITICS OF GLOBAL ECONOMIC RELATIONS. New Jersey: Prentice-Hall.

c) THE MCGRAW-HILL DICTIONARY OF MODERN ECONOMICS.

d) THE AMERICAN DICTIONARY OF MODERN ECONOMICS.

e) Thirwall, A.P. 1983, GROWTH AND DEVELOPMENT. London: MacMillan.

f) Kurian, G.T. 1984, THE NEW BOOK OF WORLD RANKINGS. New York: Facts on File Publications.

(2) This classification is mainly for analytical purposes in that it is not clear-cut which are the dependent and the independent variables, foreign

THE INDEPENDENT VARIABLES.

These are the variations in the external and internal, objective and subjective components of the situation of dependence/underdevelopment.

1: The External Situation.

This comprises changes in the patterns of dependent relationships occurring between a state and other actors in the external environment, which affect the performance of the state's essential structures. These relationships are grouped into two broad components: a) Economic: The state's position in the international economy; and b) political: The state's position in international politics.⁽¹⁾

A: *The State's Position in the International Economy.*

The patterns of relations between states in the international economy is considered to be highly stratified and asymmetric. The asymmetry is

economic strategies or situations. This is because although strategies have been classified as the dependent variable, as responses to changes in a situation, the situation also changes in response to strategies.

(1) It is important to emphasise that since dependency is a matter of degree rather than of kind, the range of variation of the independent variables is cast in terms of a continuum (i.e, more or less, greater or smaller) rather than in dichotomous terms (either-or). By so doing we will be able to minimise the problem of delineating the boundaries of dependency. The variables to be elaborated below therefore, are indicative of the degree of relative dependence of a state since we consider all states to be more or less dependent rather than absolutely dependent or not. See Rosenau, J.N. 1981, pp.109-110, for a discussion of the advantages in casting the range of variation of variables in terms of a continuum.

manifest for instance in the fact that some states are in the position of producers of primary commodities (mainly agricultural and/or mineral raw materials), and 'recipients of aid', while other states are in the position of producers of secondary and tertiary goods and services (manufactured items and services like banking), as suppliers of capital goods and 'donors of aid'.

This asymmetry in the economic relations between states tends to assume the form of a stratified relationship, one of dependence-dominance, between states depending on whether they are the 'recipients of aid' or the 'donors of aid'. Thus economically, the relations between states in the international economy is highly stratified, and the effects of (changes in) these relations on the structures of a state, are a reflection of its relative position, i.e, whether it is in a relatively dependent and peripheral position, or closer to the center and dominant position.⁽¹⁾

The position that a state occupies in the stratified international economy is reflected in its foreign policy behaviour in that the relative

(1) Actors at the center of the international economy are the advanced industrialized states (AIS) and the international and transnational institutions and organizations that are either controlled by (e.g, the IMF) or from (e.g, multinational corporations) the AIS.

position of the state influences the severity of the constraints on, or the availability of opportunities for, enhancing the performance of its essential structures. Generally, the lower the position of the state, the greater its dependence, and the greater will be the constraints on (and proportionately, the more limited the opportunities for) enhancing the performance of its essential structures, and *vice-versa*. The following variable measures will be used to indicate the (changes in the) position of a state in the international economy.

1:Patterns and Direction of Trade.

a) The type of commodities exported that provide the bulk of export earnings; the value of these commodities as a percentage of total export earnings; and the commodity concentration ratio.

Exports are generally categorized into two broad classes: Manufactures and primary products. The type of commodities exported by a state are indicative of its position in the international economy in that exporters of primary raw materials tend to be relatively weaker and more dependent *vis-a-vis* exporters of manufactures. This is due to the fact that the prices of primary raw materials, with the possible exception of oil,⁽¹⁾ are determined, not by the exporting countries, but by the

(1) In the case of oil, exporters have been successful in forming a cartel (OPEC) to give them a greater measure of control over prices.

consuming countries. The reasons for this, among others, relate to the lower income elasticity of the demand for, and the supply of, raw materials (especially agricultural raw materials) as compared with manufactures (productivity advances thus tend to lead to price declines); and the fact that a greater amount of value is added to a commodity by processing. Other factors relate to the lack of effective organization among raw material exporters, who compete with each other for access to restricted markets in the AIS (markets that are protected by discriminatory tariffs); and the existence of synthetic substitutes (e.g., for rubber and cacao). The relative weakness and dependence of a state is intensified when there is commodity concentration, i.e., when that state derives most or all, of its export revenues from one or two commodities.

b) The Terms of Trade: The terms of trade is a measure of the terms and the changes in the terms on which goods and services are exchanged between countries, or on which one type of commodity is exchanged for another type of commodity (e.g., primary commodities for manufactures). There are two terms of trade measures: The commodity terms of trade and the income terms of trade.

The commodity terms of trade expresses the ratio between the unit price of a country's exports and a unit price of its imports, and it

therefore measures the changes in the purchasing power of a unit of exports over a unit of imports. It is said to improve when the former rises faster (or falls more slowly) than the latter; and is said to deteriorate when the reverse occurs. The income terms of trade measures the changes in the purchasing power of exports allowing for changes in the volume of exports, thus giving an indication of the purchasing power of a country's export earnings over a unit of imports.

The two measures *taken together*, are an accurate representation of the changes in the profitability of a country's patterns of relations in international trade.⁽¹⁾ Generally, primary raw material exporters tend to experience deteriorating terms of trade, as their export receipts decline relative to the price of their imports. Such states are considered to be in a position of relative dependency in international trade.

c) Direction of Trade: This refers to the destination of a country's exports and the origins of its imports. Generally, UDC's tend to be dependent on the advanced industrialized states, not only as destinations for their exports,

(1) This is because although a country's commodity terms of trade may be deteriorating, a rise in its volume of exports may offset the fall in its export prices *vis-a-vis* imports, and that country's income terms of trade may show an improvement. Thus for instance, although the commodity terms of trade of the USA was on a steady decline during the 1970's, because of a rise in the volume of its exports, the income terms of trade showed an improvement.

but also for the supply of their imports. The importance of the direction of trade, derives from the fact that an underdeveloped economy that is heavily dependent on a more developed economy for trade (imports and exports) is particularly vulnerable to pressures (e.g, restrictive trade practices) that might be exerted by its dominant trading partner(s).

2: Patterns of Relations in International Finance.

This includes variations in a state's external debts, balance of payments, and its relationship with international and multilateral credit agencies.

a) External Debt Situation and the Balance of Payments (BOP): The current international debt crisis had its beginnings in the early 1970's, and was intensified during the oil-price revolution and the subsequent international recession, which saw a steep rise in interest rates and an increase in protectionist trade practices.

Other things being equal, a country's ability to cope with its debt service payments and consequently, the extent to which they constitute a 'burden', depends on the rate of growth of its export earnings, and on the stability of those earnings. As noted, in the case of primary raw material exporters (especially non-oil exporters) their export earnings declined relative to the prices of their imports (due mainly to the increased oil price). This, together with increased protectionist trade practices in the

AIS (on whom the raw material exporters were dependent for trade) and the rise in interest rates, cut the demand and the prices for their exports. Their debt obligations therefore rose and the income to service these payments declined, and this exacerbated the burden of their external debts. Many of these countries thus became net debtor countries, with external debt obligations persistently exceeding their international reserves. Such countries are considered to be in relatively subordinate positions in international finance.

Changes in a state's patterns of relations in international finance are also indicated in changes in its balance of payments (BOP), which is a record of the payments and receipts arising from the country's transactions with other countries over a specified period of time, usually one year. The BOP is divided into the current account, which records the country's payments and receipts arising from visible (merchandise) and invisible (services) trade; and the capital account which records the country's assets in and liabilities to the rest of the world.

An imbalance on the current account (current account deficit) occurs when payments for merchandise and services trade exceeds receipts. On the capital account, an increase in liabilities occurs with an inflow of foreign capital via direct foreign investment, loans, etc, and a

decrease occurs as investment funds are repatriated or foreign loans are repaid. An increase in assets occurs when there is an outflow of capital in the form of loans or investment capital (to other countries) and a decrease in assets occurs when loans are repaid or investment funds are repatriated. A country that persistently runs a deficit on both accounts is likely to have insufficient foreign exchange to meet its external payments as the level of its external liabilities rise. Such a state is considered to be in a subordinate position in international finance.

b) Relationship with International Financial Institutions. The International Monetary Fund (IMF): Changes in a country's external finances are reflected in changes in its relationship with the IMF, an organization whose importance derives from its role of institutionalizing and regulating the international financial system.

The IMF provides loans to member states to tide them over when they are experiencing temporary balance of payments and foreign exchange problems. The Special Drawing Rights (SDR's) were created for this purpose.⁽¹⁾ Nominally, a country obtains an IMF loan in proportion to its

(1) SDR's have become a type of international currency, and have become increasingly effective in stabilizing international financial transactions and in easing temporary foreign exchange problems experienced by most countries.

SDR quota, and since these are fixed in proportion to members' contribution to the fund, a country's SDR quota is indicative of its economic strength, and thus of its position in international financial relations.⁽¹⁾

The importance of a country's relationship with the IMF derives from the latter's role as a central credit agency. By this is meant, other sources of credit in the international economy (e.g. government-to-government loans, and private commercial banks) require that a country obtain IMF clearance and approval before any such credit is extended. The IMF therefore sets the standards by which sources of funds may be obtained. For a state that persistently runs a deficit on its balance of payments, its patterns of relations are such that the IMF is in a position to shape the direction of its economic policies. The IMF could for instance, withhold approval and make loans conditional upon that country undertaking internal 'adjustment' measures, as defined by the Fund (its stabilization programmes). Moreover, even when funds are obtained, disbursements from the donor to the recipient are tied to specific performance criteria

(1) For instance, five countries, the USA, Japan, West Germany, France and the UK, hold 43.68% of total IMF SDR quotas (there are 99 member states of the organization). These five nations are considered to occupy dominant positions in the IMF. The USA alone holds 21.40% of all SDR quotas.

as set by the Fund.⁽¹⁾ Thus for countries in subordinate positions in international finance, the IMF is in a position to shape their economic policies.

3: Patterns of Relations with Private Multinational Capital.

This variable cluster includes variations in the stock of assets (the book value) owned by foreign interests; the net investment flow (i.e, new investments minus divestments and repatriation); the ratio of foreign investment to domestic capital formation; and the sectors of the economy into which such investment is directed.

Private multinational capital is to be distinguished from other forms of private investment in that it involves: a) The transfer of productive resources besides capital; and b) some form of ownership and control. The multinational corporation (MNC) is the embodiment of this form of capital in the contemporary international system, and its importance in the economic relations between states is considerable. The impact of the operation of the MNC on the economic well-being of UDC's has led one analyst to characterize it as the 'new dependence'.⁽²⁾

(1) This pattern applied in the case of Jamaica when in 1980, the IMF imposed harsh adjustment measures of reduced public employment, wage freezes, and budgetary cuts on the government. When Manley refused to accept the conditions, virtually all lines of credit to Jamaica were terminated until Manley resumed negotiations with the Fund.

(2) Dos Santos, Theotonio. 1970, pp. 232-234.

This 'new dependence' (of the host UDC on the MNC) is conditioned by the limitations of the international commodity and financial (capital) markets, which were discussed above. For countries in subordinate positions in international trade and finance therefore, the possibility of generating new investment funds for expansion of trade and productive capacity, is limited. This is because, such expansion is contingent upon the existence of financial resources (in foreign currency) to purchase the necessary inputs (machinery and other capital goods) that are not produced locally. The MNC is thus relied upon by the UDC to provide the necessary inputs, technology and financial resources. Without entering into the debate over the pros and cons of the actual and potential impact of the MNC on the economic development of the host UDC,⁽¹⁾ suffice it to say that given the sheer size and international mobility of these organizations,⁽²⁾ they are not only in a stronger bargaining position *vis-a-vis* the host government, but given the nature of their contractual arrangements and the organization of the

(1) For an excellent discussion of this issue see Evans, Peter, B. "National Autonomy and Economic Development: Critical Perspectives on the Multinational Corporations in Poor Countries." in Robert Keohane, and Nye, Joseph, (eds) TRANSNATIONAL RELATIONS AND WORLD POLITICS. Cambridge, Mass: Harvard Univ. Press, 1972. pp. 325-342.

(2) The majority of investment in all countries (developed and underdeveloped) is carried out by a relatively small number of large corporations. For instance, between 250 and 300 US-based firms control over 70% of US foreign investment.

markets for certain commodities, the MNCs also have considerable control over the volume and value of UDC exports.⁽¹⁾

The importance of a country's relations with MNCs therefore, derives from the latter's capacity to constrain the policy behaviour of the host government, and to undermine autonomy in decision making. These firms, especially those in the extractive and manufacturing sectors, are through various means able, not only to circumvent host government policies (e.g, tax policies) but may actually influence the direction of government policy. Moreover, if it is accepted that the locus of decision making is important, the fact that decisions affecting the economy of the host are made, not in the former, but by the parent of the firm (which is more often than not located in an AIS) has the potential to undermine the policy initiatives of the host government.⁽²⁾

The variable measures described above (The book value of foreign

(1) In certain spheres, MNCs, especially those engaged in the production and marketing of minerals like bauxite, have a built-in export marketing advantage over the host UDC. Subsidiaries are established to supply goods to other parts of the same parent company. Aluminum firms for example, sell their products to other parts of the firm located in different countries, for processing and marketing. Given the organization of such firms, the scope for independent UDC producers entering the market is limited. This pattern applied in the case of Jamaica.

(2) For instance in Jamaica, opposition from the aluminum multinationals to Manley's unilateral imposition of the bauxite levy in 1974, forced a retreat on the part of Manley who was compelled to grant substantial concessions to the corporations.

investment, net investment flow, and the foreign capital/gross domestic capital ratio) will be used to indicate the changes in a state's relations with private multinational capital. These measures are considered to be indicative of the extent of foreign penetration into the economy, and the extent to which the state is dependent on foreign capital for the development of its productive resources.

In summary, the following variable clusters will be used to indicate the changes in the positions of Jamaica and Trinidad in the international economy:

- 1: Patterns and direction of trade;
- 2: patterns of relations in international finance; and
- 3: patterns of relations with private multinational capital.

As the economic component of the external situation, they will be used to indicate the degree of relative dependency of Jamaica and Trinidad, and hence of the severity of the constraints on, or the availability of opportunities for, enhancing the performance of their essential structures.

B: *Position of the State in International Politics*

The second group of relationships that comprise the external situation are the changes in the position or orientation of the state in international

politics.

The stratification in the the relationship between states in the international system is manifest politically as well as economically. Although prevailing norms in international politics assign equal status to all sovereign states, these norms are largely declaratory in a system in which there are 'super powers', 'middle powers', and 'small powers'; 'first world' states, 'second world', and 'third world' states. Furthermore, the patterns of relations between states is influenced, directly or indirectly, by the fairly persistent East-West ideological rift, occurring within a fairly bi-polar systemic structure. Within the context of this systemic structure, a dependent state's orientation may influence the constraints and/or the opportunities deriving from its subordinate position in the international economy in one of two ways:

a) In the first place, the state may choose not to conform with the prevailing norms of system maintenance (i.e, diplomatic, ideological and/or military alignment) in an effort to exploit the bi-polar systemic structure and increase its 'prestige'. This can be done for instance through a vociferous espousal of nonalignment, close identification with third world issues, and a stance on international issues emphasising morality and the equality of nations. Nkrumah's Ghana, and Nehru's India were

examples. This is the nonconformist orientation.

b) Secondly, the state may choose to conform with the prevailing norms of system maintenance. It may choose to align itself diplomatically, ideologically, and/or militarily with one or the other of the two ideological blocs, to reap whatever benefits might accrue from such an association. This is the conformist orientation.

A country's declaratory orientation may not be its actual orientation, and it is important to distinguish between the two. However, in view of the fact that empirical verification of actual orientation is beyond the scope of this study, the following variables are taken as indicative of the orientation of a state in international politics: Diplomatic representation; alliance membership and membership in international and regional organizations; and the ideological pronouncements of national leaders.

A state's orientation or position in international politics (more or less conformist, or nonconformist) therefore may influence the severity of the constraints on, or the availability of opportunities for, enhancing the performance of its essential structures which derive from its subordinate position in the international economy. Thus for instance, an economically peripheral country like Israel has, by virtue of its close association with

the USA (a conformist orientation) been able to minimise some of the constraints deriving from its weak economy.

The variables elaborated above will be used to indicate the nature of, and the changes in, the patterns of relations that comprise the external situation of Jamaica and Trinidad. To briefly recapitulate our position: Foreign economic strategy is an adaptive response to the constraints and opportunities provided by the situation of dependence/underdevelopment. This situation is considered to comprise external and internal, objective and subjective components. Changes in the external situation (discussed above) produce changes in the internal situation and foreign policy behaviour is directed at controlling the nature and the effect of these changes. Next, we discuss the nature and range of variation of the variables that comprise the internal situation.

2: The Internal Situation.

This comprises two components: The societal component and the leadership component. The societal component includes variations in the nature and performance of the essential structures of a state which are affected by the patterns of relations occurring in the external situation.

A: *The Societal Component.*

In this study, the four structures posited by Rosenau, are grouped into two:

The physical and economic structure; and the social and political structure. As noted, the performance of these structures is indicative of the extent and impact of the resource-gap.

1: The Physical and Economic Structure.

This structure consists of the natural and human resources, and the patterns of interaction through which goods and services are produced and distributed. The following variables will be used to indicate the nature and performance of this structure.

Physical. The state's size and location: The size of a state, not only in terms of geographic area and population (physical size) but also in terms of the size of domestic markets and the diversity of the resource base (material size) tends to have an effect on the range of policy options available to decision makers. In physically and materially small states, the real and perceived sense of weakness and vulnerability to outside pressures has an effect on its capacity to withstand stress on the one hand, and its ability to pursue a policy of its own devising on the other.⁽¹⁾ Thus the weakness and vulnerability to external pressures of

(1) See Vital, David. 1967, THE INEQUALITY OF STATES. Oxford: O.U.P.

dependency tends to be stronger when the state in question is small, both physically and materially.

A state's location, like its size, can be a constraint on policy behaviour. Thus small states that are located near a dominant state, and fall within the latter's demarcated 'sphere of influence' (as for instance the states of the Caribbean fall within the influence of the United States) are more likely to be vulnerable to pressures from the dominant state. The constraints deriving from a country's location therefore are likely to be reflected in its policy behaviour.

Economic. The following are considered to be the hallmarks of a post-colonial underdeveloped economy and are indicative of the nature of the economic structure:

1: A weak infrastructural base and poor social facilities/amenities. The economic infrastructure needed to support industrialization is poorly developed.

2: Control of the economy by foreign interests. Industrial development assumes the form of dependent development which has the effect of creating a 'branch-plant' economy. There is thus little diffusion of gains to other sectors of the economy. The domestic economy tends to be highly enclaved with weak inter-sectoral linkages. Cumulative, self-sustaining

development, based on local technology and indigenous entrepreneurship is therefore absent.

3: A high degree of structural dislocations. The economy is overwhelmingly externally-oriented and dependent on trade, and the import-export sector dominates.

4: Reliance on foreign capital results in the use of inappropriate technology (i.e, capital-intensive instead of labour-intensive). This creates no reduction in the level of unemployment.

5: A maldistribution of income, heavily skewed towards the dominant elites. These elites, through an infrastructure that establishes linkages with foreign interests, have an interest in maintaining the patterns of dependent relationships.

6: The existence of a resource-gap, reflecting the conditions above, in which aggregate demand is in excess of the supply of available resources. The impact of the resource-gap is reflected in the performance of the political and social structure to be discussed below.

The following economic indices will be used to indicate the changes in the performance of the economic structure.

The Gross national product (GNP) and the Gross domestic product (GDP).

The GNP measures the value of the goods and services produced and

claimed by the residents of a country. The GDP measures the same but without regards to its allocation among domestic and foreign claimants. The difference between the GDP and the GNP therefore, consists in the addition or subtraction of foreign investment. The GDP thus tends to exceed the GNP in debtor countries, with the reverse true of creditor countries. The GNP and GDP figures can also be expressed in terms of per capita; annual growth rates; real GDP per capita (which attempts to measure the purchasing power of the average person in that country); and the debt/GDP ratio which expresses the extent to which the external public debt of a country constitutes a burden on its economy. The various GDP and GNP indices therefore, are indicative of the performance of the economic structure of a state, although they do have two important limitations: They fail to reveal income disparities, and the need to convert the local currency into US dollars, introduces distortions. Other economic indices that will be used are rates of inflation and unemployment.

The variables elaborated above will be used to indicate the nature of, and the changes in, the performance of the physical and economic structure of Jamaica and Trinidad.

2: The Political and Social Structure.

These structures consist of the patterns by which a society is governed

and through which cooperation among the members of society is achieved and maintained. The performance of the political and social structure is a reflection of the impact of the resource-gap (i.e, whether it is increasing or diminishing). The following variables are indicative of this structure.

1: The type of political system (open versus closed) and the type of party system. The importance of these variables for the policy process in UDC's, relates to the fact that the existence of a relatively 'open' polity with a competitive party system, and its implication of the changeability of governments, makes governments in such systems susceptible to the changing demands of the population. Given the existence of the resource-gap, these demands, which are often narrow and partisan, may conflict with the broader objectives of undertaking structural adjustments.

2: The prevailing political norms and attitudes; the level of development of the political movement (the basis of party support); the degree of inter and/or intra elite consensus or conflict; and the ethnic/class bases of political power. These variables are indicative of the relative continuity and stability of a regime and of the relative autonomy in decision making.

The importance of these variables derives from the fact that

elite-based political movements that rely on clientelistic loyalties as a basis of support, tend to be less developed and less stable than mass political movements that have grass-roots identification. Political movements in relatively 'open' underdeveloped countries are usually elite-based parties that derive their support largely from patron-client relationships and loyalties. The existence of the resource-gap however, undermines the stability of regimes of this kind.

The impact of the resource-gap is to create a situation in which there is a high level of inter and/or intra elite dissonance, as competing elites challenge the position of those in power. Such a situation is favourable to the infiltration by outside interests into the policy making process, where counter-elites in conjunction with their external allies attempt to influence the resource-gap and determine policy decisions.⁽¹⁾

Other indices that will be used to indicate the nature and performance of this structure are the level of social cohesion as indicated by Narodev homogeneity index⁽²⁾ and the incidents of civil disorder.

(1) This pattern applied in the case of Jamaica, when an alliance between domestic and foreign economic interests, in the face of mounting economic hardship, undertook a concerted campaign of destabilization against the Manley regime.

(2) An index, published by the Atlas Narodov Mira, which attempts to measure the degree of relative homogeneity of the populations of countries in the contemporary world.

The variables elaborated above will be used to indicate the nature and performance of the essential structures of Jamaica and Trinidad. They comprise the societal component of the internal situation. The framework states that the performance of these structures are affected by, and are a reflection of, the changes in the external situation. The societal component of the internal situation, together with the external situation, comprise the objective situation which provides the environment of constraints and opportunities within which foreign policy choices are made by decision makers. The policy action that will be taken is ultimately a reflection of the subjective integration policy makers have fashioned of the objective situation. This is the second component of the internal situation - the leadership component or the subjective situation.

2: The Leadership Component.

The variables in this component are indicative of the subjective integration policy makers have fashioned of the objective situation, i.e, their role conception and enactment, and hence of their policy preferences. This is reflected in the attitudes, values, goals and ideology, the leadership style and disposition, and the groups with which policy makers most closely identify. No attempt will be made to examine the complex

personality traits of key policy makers. Such an undertaking cannot be adequately handled in this study. Instead, the analysis is restricted to an examination of the outwardly expressed and readily observable manifestations of personality - the attitudes, beliefs, ideologies and other behavioral predispositions of policy makers - which can be determined from their opinions and comments expressed in published interviews, addresses, speeches and biographies.⁽¹⁾

* * * * *

The situational components elaborated above are the independent variables, the presence of and/or changes within which are reflected in variations in foreign economic strategies. The range of variation of the foreign economic strategies, the dependent variables, is elaborated below.

(1) The idea is that personality lies within an individual and encompasses his needs, drives, wishes and emotional impulses. These are the *forces* or *traits* of personality, and are not readily observable. The attitudes, values, beliefs and ideologies (the behavioural responses) of an individual on the other hand, are the outward manifestations of the personality forces or traits. Personality therefore *predisposes* a person to behave in a certain way. It is not the actual behaviour, but a predisposition to behave. The actual behaviour is therefore a reflection, not only of the personality forces, but of a combination of these forces and the environment or situation of the individual.

THE DEPENDENT VARIABLES.⁽¹⁾

The dependent variables are the variations in foreign economic policy strategy. They are considered to reflect the range of possible responses available to a dependent/underdeveloped state given the state's situation, and given that policy makers seek to maintain or improve the performance of the essential structures. As with the independent variables (the components of the situation) the range of variation of the dependent variable is cast in terms of a continuum, with the *exploitative* strategy at one extreme, and the *radical* strategy at the other extreme.

It is important to emphasise that for a highly penetrated and dependent state, foreign policy and domestic policy overlap and are often two sides of the same coin. This is due to the fact that the foreign penetration associated with dependence forces policy makers to face the outside world, not only abroad, but also at home. In such a situation, the distinction between foreign and domestic policy becomes academic. For this reason, the dependent variables, the foreign economic strategies,

(1) The discussion of the dependent variables draws on material from the following sources: a) Cooper, Richard. 1972, "Economic Interdependence and Foreign Policy in the 1970's." in WORLD POLITICS, v. 24, (2), January, pp.167-181. b) Blake, D, and Walters, R. 1983, THE POLITICS OF GLOBAL ECONOMIC RELATIONS. New Jersey: Prentice Hall.pp, 169-203. c) Stremmlau, J. (ed) 1984. THE FOREIGN POLICY PRIORITIES OF THIRD WORLD STATES. Boulder: Westview.

includes domestic economic policies. We will therefore not maintain a rigid distinction between the 'foreign' and the 'domestic' in order to provide a clearer picture of the overall strategy.

A: The Exploitative Foreign Economic Strategy.

This strategy is a foreign economic policy response that attempts to exploit the sensitive international economy. It is characterized by 'outward-looking' growth policies designed to take advantage of whatever opportunities are afforded by the international economy through the selective use of economic (and political) incentives. The state that adopts this strategy is seeking to maximise its benefits within the context of the existing structures and patterns of relations in the international economy.

The basic features of this strategy include the following:

- 1: The maintenance of a hospitable climate for foreign investment with little or no state intervention in the economy;
- 2: monetary and other fiscal incentives designed to attract foreign capital, e.g, duty-free entry of imports, tax shelters and provision for repatriation of profits;
- 3: outward-oriented growth policies emphasising export-promotion through the influx of foreign inputs;
- 4: domestic income policies designed to keep wages low, to maintain the

competitiveness of exports and attract industry. Generally anti-labour;
5: close relations with Western governments and financial institutions.

With this strategy, it is assumed that policy makers accept the basic tenets of liberal economic thought. It is also assumed that the value of rapid economic growth outweighs that of national autonomy. The objective is to enhance the performance of the state's structures which are affected by changes in the external situation.

B: The Radical Foreign Economic Strategy.

This foreign economic strategy is essentially an insulatory response to a situation in which policy makers see the poverty of their state as the product of past and continuing relations, on existing terms, with the international economy. The strategy is thus designed to re-define the terms, and to re-structure the relations between the state and the international economy.

The radical strategy is characterized by strong economic nationalism, at times involving aggressive confrontations between the state and other actors at the core of the international economy. Its basic features include:

- 1: Active state participatory and regulatory presence in the economy involving full or partial nationalization of foreign operations;
- 2: monetary and other fiscal measures designed to increase governmental

revenues from foreign investment, e.g, taxes on profits, high import duties, and measures requiring foreign investors to re-invest profits locally;

3: inward-oriented growth policies emphasising self-reliance through the greater use of local inputs, and domestic income policies that favour labour; and

4: efforts at diversification of trade patterns, emphasising closer relations with other third world states and the communist world.

With this strategy, the assumption is that policy makers do not accept the basic tenets of liberal economic thought, and that the values of national autonomy and self-sufficiency outweigh that of rapid economic growth. The objective of this strategy, like the exploitative strategy, is to improve or maintain the performance of the state's structures which are affected by changes in the external situation.

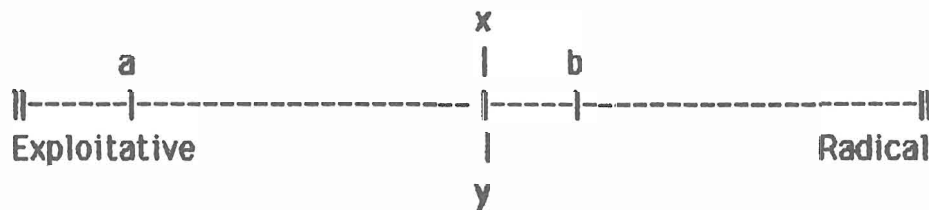
The importance of the values underlying the strategies derives from the fact that for an economically underdeveloped and dependent state, the values of rapid economic growth and national autonomy are often incompatible, given the existing structure of the international system. Thus if a state adopts the radical strategy, the assumption is that the choice between rapid economic growth and national autonomy has been

resolved in favour of the latter. With the exploitative strategy, the assumption is that the choice has been resolved in favour of rapid economic growth. Failure on the part of policy makers to reconcile these values may lead to the failure of their strategies.

The exploitative and radical strategies are considered to be the opposite extremes along a continuum of possible foreign economic strategies. A state may adopt a strategy possessing some of the features of both the exploitative and the radical. Thus depending on the nature of, and the changes in the situation, a strategy will be more or less exploitative (i.e, closer to the exploitative end of the continuum and possess more of its features), or more or less radical (i.e, nearer the radical end of the continuum). Figure 2.2 below is a diagrammatic representation of the foreign economic strategy continuum.

Figure 2.2

The foreign economic policy continuum



THE PROPOSITIONS AND HYPOTHESES

Propositions.

1: That foreign policy action, as an adaptive strategy, is a response to the situation of dependence and underdevelopment. The situation therefore provides the arena of constraints and opportunities within which policy makers act.

2: That such policy action is undertaken by policy makers (the leadership component), to control the variations in the performance of the essential structures (the societal component), which are affected by changes in the external situation. The components of the situation are therefore interdependent and complementary.

3: That the role conception and enactment of policy makers, (as reflected in their values, attitudes, ideology, etc), reflects the subjective integration they have fashioned of the objective situation. This shapes their foreign policy preference.

4: That if the foreign policy field as an arena of choice is one of opportunities and constraints for a state, the severity or otherwise of the constraints, or the availability or otherwise of opportunities, is a reflection of changes in its situation.

5: That the objective of a foreign economic strategy is to enhance or

maintain the performance of the economic structure (and thereby improve the performance of the other structures by reducing the impact of the resource-gap), and a strategy that successfully achieves this objective is adaptive, and one that fails to achieve this is maladaptive.

On the basis of these propositions, the following hypotheses are advanced:

Hypotheses.

1: Where the constraints (of the situation) are relatively greater, and the availability of constraints correspondingly lower (as indicated by the falling position of the state in the international economy, and the poor performance of its structures), the foreign economic strategy adopted will be closer to the radical end of the continuum. This is because where the constraints (real and perceived) are greater, the possibility of enhancing or maintaining the performance of the economic structure within the framework of existing patterns of relations between the state and the international economy, is minimal. Policy makers are therefore likely to have a negative attitude towards these relations and their policy preferences are likely to be toward the radical strategy - one that seeks to restructure the patterns of relations between the state and other actors in the international economy.

2: *Where the constraints are relatively lower and the opportunities correspondingly greater, the foreign economic strategy adopted will be closer to the exploitative end of the continuum.* This is because where the opportunities (real and perceived) are greater, policy makers are likely to have a positive attitude towards the patterns of relations between their state and other actors in the international economy. Their foreign policy preferences will therefore be towards the exploitative strategy - one that seeks to take advantage of the opportunities afforded by the international economy.

The argument is that a state adopting the exploitative strategy is for various reasons in a relatively stronger position (in the international economy) than a state adopting the radical strategy. The former are therefore less wary of contacts with the global economy, than are the latter, whose constraints (real and perceived) are greater.

3: *The greater the discrepancy between the objective and subjective components of the situation, the less likely is the strategy to promote or maintain the performance of the state's structures.*

4: *The more closely related the objective and subjective situation, the more likely is the strategy to maintain or improve the performance of the essential structures.*

SECTION THREE

THE CRITERIA OF SIMILARITY AND DISSIMILARITY.

To facilitate the comparative analysis of the phenomena elaborated above, criteria must be developed for determining their points of similarity and dissimilarity. The importance of this cannot be underestimated. At this level of analysis, all observed phenomena can be viewed as dissimilar. No two policy makers, states, strategies, or situations are exactly the same, and unless guidelines for determining their common elements are made explicit, their unique characteristics will be overly salient.⁽¹⁾

The criteria of similarity and dissimilarity are based on the kinds of questions being asked and the issues being addressed in this study. The central concern, to reiterate, is to compare the foreign economic strategies adopted by the governments of Jamaica and Trinidad. The questions that arise therefore are:

1: How did the governments of these two countries cope with the situation, i.e, what foreign economic strategies did they adopt? (comparison of strategies).

(1) See Rosenau, 1974, p.14.

2: Why were those particular strategies adopted, i.e, how did the situation shape and influence the strategies? (comparison of situations).

The focus for comparison therefore is on the foreign economic strategies as well as the situations that influenced the adoption of the strategies. The criteria for determining their points of similarity and dissimilarity are as follows.

1: Criteria for Comparison of Situations.

The situations of Jamaica and Trinidad are similar only in respect of the variation of a particular variable indicator within a particular situational component. This is because it is unlikely that states will be similar in respect of all the components of the situation. For instance, states may be in relatively similar positions in the international economy (e.g, they may both be producers of primary commodities, etc) yet the performance of their structures may differ (e.g, a state exporting oil may have a stronger economy than a state exporting sugar and importing oil). Thus the situation of dependency/underdevelopment of states are similar where:

- 1: Their positions in the international economy and in international politics is relatively the same (as determined by the procedures specified on pages 62-77);
- 2: the performance of their essential structures is relatively the same (as determined by the procedures specified on pages 77-84);

3: the relative role conception and enactment of policy makers coincide (as determined by the procedures specified on pages 84-85).

2: Criteria for Comparison of Strategies.

The exploitative and the radical strategies are considered to be the opposite extremes along a continuum of possible foreign economic strategies. It is however very unlikely that a state would rely on a single strategy to improve its position in the international economy and enhance the performance of its structures. It is likely that a state would simultaneously pursue a strategy possessing features of both the radical and the exploitative strategies. This may lead to mutually reinforcing results or mutually disastrous consequences. Thus for example, a state may adopt a strategy involving the provision of tax incentives to foreign investment and enact domestic policies to keep wages low (both of which are features of the exploitative strategy), and at the same time, play an active regulatory and participatory role in the economy through selective nationalization, which are features of the radical strategy.

Thus foreign economic strategies are similar only to the extent that strategy 'A' and strategy 'B' share specific features in common.

SECTION FOUR

CONCLUSION

The discussion thus far has outlined the approach, defined and operationalized the concepts and terms, and elaborated on the nature and the range of variation of the variables to be compared. Hypotheses have been formulated to explain the association between the variables, and criteria have been developed for determining when the observed phenomena are similar or dissimilar. We thus have the necessary tools and have laid down the guidelines for the comparative analysis of foreign economic policy strategy. Part Three of this study applies the framework developed here, through the use of empirical data, to indicate the patterns of similarity and dissimilarity in the foreign economic policies of Jamaica and Trinidad and Tobago.

PART THREE
APPLICATION OF THE
FRAMEWORK

This section of the study applies the framework developed in Part Two to the comparative analysis of the foreign economic policy strategies of Jamaica and Trinidad. Part Three is divided into three sections. Section one and two present in case-study format an overview of the situations and the strategies of Jamaica and Trinidad respectively. Section three summarizes the observations and brings out in greater detail the comparison.

SECTION ONE

JAMAICA: THE SITUATION AND THE STRATEGY.

1: Introduction.

This section presents an overview of the situation and the foreign economic policy strategy adopted by the People's National Party (PNP) government of Jamaica during the two-term tenure of Prime Minister Michael Manley (1972-1980). The strategy initiated by the PNP in 1972 was essentially an attempt to chart a new development path by reforming the structures that had kept the country economically dependent since its independence from Britain in 1962. The strategy was socialist in its ideals and involved efforts at disengagement from the economic system of multinational capital through increased self-reliance, diversification of trade, and greater regional and inter-third world cooperation.

The objectives of the discussion in this section are two-fold:

- 1: To identify and explain how the situation shaped and influenced the foreign economic strategy (i.e, to explain why the government adopted the strategy); and
- 2: to assess the effectiveness or otherwise of the strategy in terms of

maintaining and/or promoting the performance of the essential structures during the time period under consideration (1972-1980), and hence to determine whether the strategy was adaptive or maladaptive. As noted in Part Two, strategies that promote the performance of the economy and hence of the other structures are considered to be adaptive, strategies that fail to achieve this are maladaptive.

The analysis in this section is organised and presented in five stages. The first step examines the Jamaican situation prior to and during the first tenure of the Manley regime. The discussion first outlines the objective situation: The dualism of the Jamaican political and social structure, the nature of the colonial economy inherited, and the patterns of relations in the external situation. The discussion then examines the subjective situation (i.e, the leadership style, role conception and perceptions of Manley). The second step examines the policies initiated by the PNP from the time of its electoral victory in 1972 and the proclamation of 'democratic socialism' in 1974, to the 1976 election. This was the period during which the PNP began implementing its alternative path to development by expanding state control over the economy and increasing public sector employment. The third step examines the external and internal reactions to Manley's policies up to this stage. This was a period of strains and stresses for the government in the face of

adverse reactions to its policies. There was conflict both within the party and in society at large. This culminated in a violent election campaign in 1976. The forth step examines the foreign economic policies adopted from the PNP's electoral victory in 1976 to its defeat in October 1980. This period was characterized by considerable vacillation on the part of Manley in the face of a rapidly deteriorating economy, heightened internal conflict and increased external opposition. The final step concludes the discussion and assesses the impact of the strategy on the economic development of Jamaica.

2: Jamaica: The Situational Background.

THE OBJECTIVE SITUATION: The Societal Component

The Political and Social Structure.

The contemporary Jamaican political system is a two-party parliamentary democracy based largely on the ideas and practices inherited from Gt. Britain from which the island gained its independence in 1962. The roots of the Jamaican two-party system lie in the labour unrest that swept the island in 1938.⁽¹⁾ These labour disturbances crystallized in the formation of the Peoples National Party under the leadership of Norman Manley (the father of Michael Manley).

The PNP was essentially a moderate nationalist party, and in its early programme reflected the interests of the Jamaican middle classes against the encroachment of the big landowners and rich capitalists.⁽²⁾ The second major party emerged after a split in the nationalist movement in 1943 when Alexander Bustamante left the PNP with his trade union, the Bustamante Industrial Trade Union (BITU) to form the Jamaica Labour

(1) Mitchell, H. 1971, CARIBBEAN PATTERNS. Edingburgh&London: Chambers. p151. For a detailed discussion of this rebellion see Post, Kenneth, 1978, ARISE YE STARVELINGS: THE JAMAICAN LABOUR REBELLION OF 1938 AND ITS AFTERMATH. The Hague, Boston and London: Nijhoff.

(2) Ambursely, F. 1983, "Jamaica: From Manley to Seaga." in CRISIS IN THE CARIBBEAN. New York: Monthly Review. Cohen, R. and Ambursely, F. (eds) p.75.

Party (JLP).⁽¹⁾

In contrast to the PNP, the JLP had the support of the working classes and a conservative section of the elite , mainly the property-owning industrialists who sought control over the labour movement in furtherance of their own interests. In its composition therefore, the JLP reflected the nascent character of the Jamaican working classes, their lack of organization, and the pervasiveness of clientelism as a basis of party support. Indeed clientelism through patronage in jobs, housing, appointments etc, is a marked feature of the Jamaican political set-up, and is a means by which the dominant elites are able to co-opt a substantial portion of the working class and 'bring them into the fold'.⁽²⁾ The pervasiveness of clientellism in Jamaican politics plus the absence of a clearly defined and ideologically-oriented mass-movement, were among the factors that were later to undermine the efforts of the Manley government.⁽³⁾

In an effort to attract greater working class support, the PNP

(1) Stephens, E.H. and Stephens, J.D. 1983, "Democratic Socialism in Dependent Capitalism." in POLITICS AND SOCIETY. V.12 #3, pp.376-377.

(2) Carlene Eddie notes that patron-client relations in Jamaica were responsible for the remarkable stability of the socio-political system. The clintelistic relations involve three levels: From external interests to local elites to the massess. See Eddie, Carlene. 1984, "Jamaican Political Processes: A system in Search of a Paridigm." in JOURNAL OF DEVELOPMENT STUDIES. 20 (4) pp.248-270.

(3) It is important to note that political power in Jamaica is defined along

developed its own trade union arm - the National Workers Union (NWU) - headed by Michael Manley. Although the social bases of the two parties became more similar as a result of the incorporation of the NWU into the PNP, this action had the potential to accentuate the dualism and polarization of Jamaican society. This is because the working class movement became split between the two parties, and this established the pattern for political differences between elites of the two parties to be automatically transformed into intense inter-union rivalries.⁽¹⁾ This pattern has since become a feature of contemporary Jamaican politics.

The division of the labour movement establishing the dualism in Jamaican politics, together with the pervasiveness of clientelism and the low level of development of the political movements (i.e, in the sense of not being ideological mass-movements with grass-roots support), had the potential to exacerbate the impact of the resource-gap in the face of economic hardship. This is because, given the divided and badly organized labour movement, the scramble for political power among the elite that

racial and class lines. There is a strong correlation between skin colour and social status (the lighter the skin, the higher the social status). The predominantly black population (90-95% of the population) occupy the lower positions in the social hierarchy, although a few blacks do occupy middle and upper level positions.

(1) See Ambursely, Op.Cit., p.76.

occurred with a widening of the resource-gap, was translated into bitter inter-labour disputes. Through clientelistic attachments, factions among the elite were able to enlist the support of working class elements in furtherance of their own interests. It was therefore by virtue of this that the JLP was later able to enlist the support of the working class and to embark on a concerted campaign against the PNP's policies. These factors were instrumental in the eventual demise of the PNP. We shall return to the analysis of the political and social structure and the events leading up to the 1972 election that swept Manley into power, a little later on in the discussion.

The Physical and Economic Structure.

Jamaican economic dependence evolved essentially from a single-commodity export system rooted in a colonial economy characterized by the dominance of the import-export sector and with very weak inter-sectoral linkages. A sector-by-sector analysis of the nature and evolution of the Jamaican economy from the 1950's up to the time of Manley's first election as prime minister in 1972, is provided below.

1: Mining: The creation and expansion of the bauxite industry in the early 1950's, was the principal source of the 6.5% per annum growth of the Jamaican economy in the 1950's and 60's.⁽¹⁾ During this period, the

(1) ECONOMIC SURVEY OF LATIN AMERICA. 1980. (Santiago: ECLA, United Nations Publication, 1982.) p.552.

increases in the rate of foreign investment and capital inflows (amounting to over 30% of GDP in some years), the growth of exports (6.8% per annum) and the general buoyancy of the Jamaican economy were all attributable to the expansion in the bauxite sector.⁽¹⁾ In effect therefore, investment in bauxite and alumina (a derivative) alone accounted for fully 50% of all investment, the increase in its product accounted for almost 27% of the rise in Jamaican GDP, and the increase in the value of bauxite and alumina exports provided more than two-thirds of overall export growth.⁽²⁾ This growth in the bauxite sector however, had a negative side-effect that was later to be felt: The large amount of capital inflows into the sector produced a large and persistent deficit on the current account of the BOP which was later to have important repercussions on the economy.

2: Manufacturing: Between 1960 and 1972, the manufacturing sector recorded an increase of 6.3% per annum and accounted for one-sixth of the expansion of GDP.⁽³⁾ The industrial sector that emerged in Jamaica however, was not only small in relation to overall GDP, but was also heavily dependent on imported inputs. This was a reflection of the dearth

(1) ECONOMIC SURVEY. ibid. p. 552

(2) ibid. p.552.

(3) ibid. p.553.

of opportunities to achieve economies of scale, a direct consequence of the small physical and material size (a narrow resource-base and restricted consumer markets), and the nature of the colonial economy inherited, geared as it was towards the production of cash-crops for export and the import of manufactures.

The external dependence of the manufacturing sector in Jamaica was wholly characteristic of a typical underdeveloped post-colonial economy: The infrastructure needed to support industrialization was poorly developed, and whatever industrial development that did occur assumed the form of 'dependent development' heavily dependent on external inputs, creating a 'branch-plant' economy with little diffusion of gains to other sectors of the economy. Thus by 1972, imports attributable to the manufacturing sector totalled about 50% of the value of its product, and the large trade deficit generated was equivalent to more than 33% of the output of the sector.⁽¹⁾

3: Agriculture: During the course of the 1960's as a whole, the agricultural sector stagnated in per capita terms. This was a direct consequence of the displacement caused by the growth and expansion of the bauxite sector. Outputs of sugar and bananas for instance, the two most important crops,

(1) ECONOMIC SURVEY. ibid. p. 553.

plunged from 500,000 to 370,000 tons, and 235,000 to 134,000 tons respectively between 1965 and 1970.⁽¹⁾ As a consequence of the decline in total production, Jamaica became for the first time, a net-importer of agricultural commodities in 1970. This state of affairs continued and was one of the factors instrumental in the progressive deterioration of the balance of payments after 1972.

4: Tourism: The tourist sector is the second most important foreign exchange earner for the Jamaican economy (after bauxite). During the 1960's the industry expanded considerably with the total number of visitors increasing by more than 6% per annum throughout the decade. In 1968, the JLP government introduced the Hotel Incentives Act which provided for the waiver of import duties on capital goods and the exemption from taxes on profits for 10-15 years for the construction of hotels. Largely in response to these incentives the number of hotel rooms expanded considerably. Although the growth in the number of tourists remained strong, the increase in their numbers was not sufficient to cover the massive expansion in hotel rooms. Consequently, between 1968 and 1973, the average room occupancy plunged from 66.8% to 48.1%.⁽²⁾ This created the situation in which many tourist operations

(1) ECONOMIC SURVEY, p.549.

(2) ibid, p. 557

were on the brink of bankruptcy. Later, in the face of adverse reports in the Western media and increased domestic political violence, the tourist industry was to decline even further.

The tourist industry in Jamaica, like the bauxite industry, was highly enclaved, with many of the large operations owned by foreign interests (see table 3.1 below). Like the bauxite industry also, tourism was unable to provide adequate employment for the Jamaican labour force, owing to the capital intensive nature of the industry. Moreover, in view of the weak internal linkages in the Jamaican economy, the consumption patterns generated by the tourist sector necessitated the import of certain inputs (for the construction of hotels, and the provision of facilities and amenities) which could not be supplied by the poorly developed domestic manufacturing sector. The large import bill this engendered contributed to the deteriorating external payments situation.

The consumption patterns generated by the tourist sector also tended to accentuate the dualism in Jamaican society. Juxtaposed were the lavish playgrounds of the 'sun-seekers' on the one hand, and the abject poverty of the slums of Kingston and other large urban centers on the other. This generated some feelings of resentment. More importantly, the

prominence of the tourist sector in no small measure contributed to the external orientation and dependency of the Jamaican economy since obviously, revenues accruing were dependent on the number of tourist arrivals. This situation represented a potential constraint on policy behaviour since it compelled policy makers to be extremely sensitive about Jamaica's 'image' abroad. It was in respect of this that in the midst of the deteriorating economy and the escalation in acts of violence in the mid-1970's, that adverse press reports in the American media, did a lot to hurt the Jamaican tourist industry: There was an 18% drop in tourist arrivals and a 32% drop in occupancy levels.

As the brief outline of the major sectors of the economy outlined above shows, During the 1950's and 1960's, Jamaica recorded impressive economic growth. Economic indices for the period indicate that in terms of GDP, overall growth averaged 3-4% per capita and about 5-6% per annum. There was, however, a major contradiction, a reflection of the type of dependent development embarked upon in Jamaica. This contradiction was manifest in the fact that economic growth was fuelled by a massive inflow of foreign capital and an increase in imports. Domestic economic activity thus became increasingly dependent on external financing and on a regular supply of imports. The result of this influx of foreign capital was that by the late 1960's and early 1970's, over one-half of all economic activity on the island was foreign owned. (See table 3.1 below)

The effects of the massive influx of foreign investment and the high import rates were also visible in Jamaica's rapidly deteriorating balance of payments position and its mounting foreign debt.

Table 3.1⁽¹⁾

Jamaica: Foreign Ownership of the Main Sectors of the Economy.
(Late 1960's)

Sector	Percentage
Mining	100%
Manufacturing	75%
Financial Institutions	66%
Transportation	66%
Communications	>50%
Tourism	>50%
Storage	>50%
Sugar	40%

According to conventional liberal economic theory, economic growth fuelled by a massive infusion of foreign capital should enable the recipient to develop at a faster rate than would otherwise be possible. This is because the argument goes, so long as the resources acquired by such inflows is used 'productively' the resultant increases in income will exceed the service payments due, and the recipient would consequently be better off.⁽²⁾ But for a primary commodity exporting, highly penetrated economy such as Jamaica's, the massive infusion of foreign capital, coupled with persistent trade deficits, did not produce sustained

(1) Source: EPICA Task Force, 1976. Reproduced in Ambursely, F. 1983. Op.Cit., p. 80.

(2) See Morton, K. and Tulloch, P. 1977, TRADE AND DEVELOPING COUNTRIES. London: ODI, chapter 7.

economic growth, and the resultant debt service obligations did constitute a problem: A rapidly deteriorating external payments position and mounting foreign debts. As noted in Part Two, other things being equal, a country's ability to cope with its debt service obligations and thus the extent to which these obligations do or do not constitute a 'burden', depends on the rate of growth of its export earnings, and on the stability of those earnings. In the case of Jamaica however, other things were not equal. Its economy, like that of other third world oil-importers was about to be pounded by the international inflation and recession occasioned by the oil-price increases. Thus despite impressive export growth figures for the 1950's and 60's, Jamaica's high level of imports (of capital goods, food and consumer items) produced a negative balance (of trade), and this, in the face of declining terms of trade, produced large and persistent deficits on the current account.⁽¹⁾ The precarious balance of payments position reached crisis proportions during the tenure of Manley, and by 1980, Jamaica's external debt reached a staggering \$1.7 billion,⁽²⁾ or over 50% of its GDP.

This situation was compounded by the fact that the potential

(1) During the late 1960's (and later throughout the 1970's) the prices for Jamaica's exports rose at a slower rate than the prices for its imports, causing a decline in the terms of trade. See Palmer, Ransford. W. 1968, THE JAMAICAN ECONOMY. New York: Praeger, p.148.

(2) KEESINGS CONTEMPORARY ARCHIVES. July 27, 1979, pp. 29746-48.

contribution to the economic development of Jamaica of the most dynamic form of foreign investment (bauxite) was considerably under-utilized. The aluminum industry, controlled by a cartel of the largest multinational firms, was highly vertically integrated with production involving three stages: a) The mining of the bauxite ore; b) the processing of the ore into alumina, the intermediate product; and c) the reduction of the alumina into aluminum.⁽¹⁾ Only the first two of these three stages were carried out in Jamaica. If all three stages had been carried out (i.e, the creation of an integrated aluminum industry) the bauxite industry would have attained a much greater level of importance in the Jamaican economy. As it stood, the bauxite industry, the single largest foreign exchange earner for the Jamaican economy, was highly enclaved producing little diffusion of gains to other sectors of the economy, since the goods produced were sold outside of Jamaica in an oligopolistic international market controlled by the aluminum multinationals.

Thus as noted in Part Two, the size and international mobility of the MNCs in the extractive sector, the nature and organization of the international market for certain commodities, and the nature of their contractual arrangements with the host government,⁽²⁾ give these firms

(1) see Singer, H.W. 1950, "The Distribution of Gains between Investing and Borrowing Countries." in AMERICAN ECONOMIC REVIEW, May, v.60, #2, pp.473-485.

(2) A discussion of the nature of the contractual arrangements between the Jamaican government and the aluminum MNC's is provided below.

considerable control over the volume and value of UDCs exports. This was the case in Jamaica. Given this state of affairs, and the rapidly deteriorating economy the Manley government inherited in 1972, it is hardly surprising that one of the first priorities of the new administration was to re-structure the bauxite industry.

A further contradiction was that investment in the bauxite, tourist and manufacturing sectors, which tend to be capital-intensive, were unable to provide adequate employment for the Jamaican labour force. Total employment, after declining in the 1950's due mainly to emigration, had by the 1970's reached 24% of the work force.⁽¹⁾ Employment in agriculture accounted for 30% of the work force in 1960⁽²⁾ but this relatively low figure did not represent an advanced degree of structural transformation. Instead, it was a reflection of the general malaise of food production for the home market (Jamaica imported over one-half of its food requirements) and the displacement caused by the expansion of the bauxite sector. Moreover, agriculture in Jamaica was characterized by a high degree of dualism. On the one hand there was the plantation worker who produced cash crops geared for exports, and on the other, the peasant who produced for the home market.

(1) Ambursely, F. 1983, Op.Cit., p.79.

(2) Demas, William. 1965, THE ECONOMICS OF DEVELOPMENT IN SMALL COUNTRIES. Montreal: McGill Univ. Press, p.110.

The structural dislocations in the Jamaican economy were a direct reflection of its relatively subordinate position in the international economy. The consequences of these structural dislocations became manifest in the fact that there was no cumulative growth, no diffusion of gains to other sectors of the economy, a striking maldistribution of income that restricted further the already small consumer markets⁽¹⁾, and no reduction in the level of unemployment. The stage had thus been set for the widening of the resource-gap and an intensification of its impact.

Norman Girvan predicted so accurately in 1971 that,

" If the two dynamic export industries (bauxite and tourism) experience either a slowing down or a contraction of output, the foreign debt service problem could become a serious one for the Jamaican economy."⁽²⁾

This is precisely what happened during Manley's tenure. Bauxite production, which earned 35% of the country's foreign exchange, fell by 32% between 1974 and 1976.⁽³⁾ This, together with a decline in sugar prices and a drought that cut agricultural production, and the oil-price

(1) In 1978 for instance, although the per capita income of Jamaicans was over \$1000, 85% of the population survived on less than US\$200 a year.

(2) Girval, Norman. 1971, FOREIGN CAPITAL AND ECONOMIC DEPENDENCE IN JAMAICA. Kingston, Jamaica: ISSER. p. 165.

(3) KEESINGS, July 27, 1976, pp. 29746-48.

hikes beginning in 1973, produced a balance of payments crisis for the Jamaican economy.

The External Situation.

With respect to the patterns of relations that comprised the external situation of Jamaica, it has already been noted that the economy was externally-oriented and structurally dependent, not only in the reliance on foreign investment inflows for the development of its productive resources, but also in the high ratio of foreign trade to GNP (total foreign trade grew from over 50% of GNP in the 1950's and '60's to over 60% in the early 1970's).⁽¹⁾ The external orientation of the Jamaican economy was typical of a dependent UDC, and this made the island extremely vulnerable to fluctuations in the international economy.

Lacking the capacity for self-sustained growth as a result of the structural dislocations outlined above, expansion or contraction in the Jamaican economy became a reflection, not of internal factors, but of expansion or contraction in the international economy. Jamaica's economy thus grew in times of international economic expansion (1950's and early 1960's) and took a sharp downturn in the wake of the international inflation and recession engendered by the oil-price hikes in the 1970's.

(1) Girvan, *et al*, 1980, "The IMF and the Third World: The Case of Jamaica." in DEVELOPMENT DIALOGUE. v.2, p 114.

The external orientation of the Jamaican economy was rooted in the colonial economy, and evolved from a single commodity export system in which sugar and bananas were the major export items. In 1952, bauxite and alumina (and later, tourism) replaced agricultural commodities as the major export items and by 1975, accounted for over 64% of Jamaica's exports.⁽¹⁾ In addition, the country imported raw materials and semi-finished goods for manufacturing and over one-half of its food requirements. In 1968 for instance, food for human consumption accounted for 16.2% of imports and other consumer goods accounted for 26.0%.⁽²⁾ Jamaica was therefore heavily dependent on trade.

With respect to patterns and direction of trade (see tables 3.2 and 3.3 below), Jamaican relationships changed from dominance by the U.K. to dominance by the USA. By 1973, the United States was Jamaica's chief trading partner, taking 41.2% of exports and supplying 38.6% of its imports.⁽³⁾

(1) Girvan, N. Hughes, W. and Bernal, R. 1980, "The IMF and the Third World: The case of Jamaica." in DEVELOPMENT DIALOGUE. V.2, pp.113-115.

(2) Jefferson, Owen. 1972, THE POST-WAR ECONOMIC DEVELOPMENT OF JAMAICA. Kingston, Jamaica: ISSER.

(3) Bell, W. 1977-78, "Independent Jamaica Enters World Politics." in POLITICAL SCIENCE QUARTERLY. (4), 92, pp.688-689.

Table 3.2⁽¹⁾

Jamaica: Exports by country of destination.(Percentages)

Country of Destination	Year		
	1938	1962	1973
U.K	59.2	26.5	23.1
USA	3.7	38.9	41.2
Canada	26.6	18.0	5.1
Norway	—	6.7	10.6
Other)			
Commonwealth)	10.5	9.9	7.7
Caribbean)			
TOTAL	100.0	100.0	100.0

Table 3.3⁽²⁾

Jamaica: Imports by country of origin. (Percentages)

Country of origin	Year		
	1938	1962	1973
U.K	32.5	9.4	16.7
USA	21.0	27.8	38.6
Canada	15.6	10.4	6.8
Netherlands & possessions	2.4	5.7	3.3
Other)			29.2
Commonwealth)	28.5	26.7	5.4
Caribbean)			
TOTAL	100.0	100.0	100.0

(1) and (2) Source: Data for 1938 and 1962 are from Owen Jefferson, Op.Cit,pp.202-203 data for 1973 are computed from STATISTICAL ABSTRACT, 1973 (Jamaica: Dept. of Statistics, 1974) reproduced in Bell, W, Op.Cit,pp.688-689.

The growth of the bauxite and aluminum industry was responsible for the shift in Jamaica's trade patterns from dependence on the UK to dependence on the USA since the industry was owned by American and to a lesser extent, Canadian interests. The US assumed even greater importance when the earnings from tourism are included, since 80% of the tourists to Jamaica were Americans.⁽¹⁾ Indeed the key to US policy towards Jamaica, aside from the geo-strategic implications of its location which will be discussed below, lay in the bauxite industry. Private ownership of an important resource as bauxite was critical to US policy which was directed at ensuring that access to these reserves was unimpeded.⁽²⁾

By the time Manley first assumed office as prime minister in 1972, the US was importing nearly 60% of its bauxite from Jamaica, and most of the \$1 billion US private investment in Jamaica in 1972, was concentrated in US-owned bauxite mining and processing facilities.⁽³⁾ The US thus had a lot at stake in the internal economy of Jamaica. For instance, in July 1973, the US acting Secretary of State for Inter-American Affairs Robert Hurwich spelled out his government's

(1) Bell, W, OP.Cit. p.689.

(2) See O'Flaherty, Daniel, J. 1978, "Finding Jamaica's Way." in FOREIGN POLICY. *31, Summer. pp.150-151.

(3) O'Flaherty, ibid, 150-151.

interests as follows:

"From the standpoint of our interests, this investment [the \$1billion] has helped to assure that the US will have a reliable source of alumina...The US imports nearly 90% of its bauxite requirements and Jamaica has been the primary source of supply...The proximity of Jamaican reserves to the US is an important economic and strategic consideration.⁽¹⁾

The US was therefore likely to be very sensitive to any attempt by the Jamaican government to re-define the terms of the agreement under which the bauxite companies had been operating since the 1950's when large scale exploitation of Jamaican bauxite reserves began.⁽²⁾ Thus relations with the US, which became increasingly strained as a result of the PNP's bauxite policy (to be discussed below), were later to be among the most important external constraints on Manley's strategy.

(1) Reproduced in O'Flaherty, *ibid*, p.151.

(2) Among the terms was a provision that granted full control over lands containing over 1.5 billion tons of bauxite ore to the aluminum multinationals (They were at that time mining only 12 million tons annually), and a constitutional clause guaranteeing adequate compensation in the event of nationalization, which could not be changed without the full support of both parties in the Jamaican parliament. The priorities of the PNP were therefore directed at repatriating the lands owned by the companies and to acquire partial ownership in their operations. A fuller discussion of the PNP's bauxite policy is provided later on in the discussion.

Objectively therefore, the Jamaican situation immediately prior to Manley's assumption of office in 1972 was that of a primary commodity exporting, capital and trade dependent, and highly penetrated actor that financed its economic growth through a massive infusion of foreign capital. Girvan *et al* (1980) note that between 1953 and 1972, foreign capital financed over 32% of total investment.⁽¹⁾ The paradox of economic growth of this kind (i.e, financed by foreign capital) was reflected economically as well as politically.

Economically, investment in Jamaica (by foreign firms) had a greater impact on the investing country (in this case the USA and Canada) than on Jamaica. This was because a large part of the investment funds was used to purchase capital and technical services and equipment in the investing country.⁽²⁾ As noted, the huge import bill this entailed was partially responsible for the rapidly deteriorating external payments position of Jamaica, while direct investment by American and Canadian aluminum firms had the immediate impact of stimulating exports from the US and Canada.⁽³⁾ Politically, the penetration by foreign foreign multinational

(1) Girvan, *et al*, Op.Cit. p.114.

(2) See Palmer, Ransford. 1968, Op.Cit. pp.20-21.

(3) Examinatins of the financial relations between US multinational firms and UDC's suggest that the latter end up exporting more funds than they receive. From 1950 to 1965 for instance, remittances of income to US parent companies from subsidiaries operating in UDC's exceeded net new

capital had important implications for Jamaican national autonomy which were later to surface during Manley's tenure.

Thus following economic expansion in the 1950's and early '60's, by the late 1960's and early 1970's, the Jamaican economy had taken a turn for the worse: The unemployment rate doubled from 12 to 24%, there was a decline in the real personal income of the poorest 40% of the population from 7.2% in 1958 to 5.4% in 1968;⁽¹⁾ the crime rate soared to 7.5 per 100,000 population;⁽²⁾ and there were outbreaks of racial violence and an increase in politically motivated violence. The impact of the resource-gap was begining to be felt. It was in this environment of conflict and deprivation and that the PNP under Michael Manley won the 1972 election.

In 1972 therefore, the Jamaican people opted for change. They voted into power a party that had been in opposition since 1962.⁽³⁾ The

private investment by \$7.5 billion. See Evans, Peter, B. "National Autonomy and Economic Development: Critical Perspectives on Multinational Corporations in Poor Countries." in Koehane and Nye, (eds) TRANSNATIONAL RELATIONS AND WORLD POLITICS. Cambridge, Mass: Harvard Univ. Press, 1972, pp.325-342.

(1) Girvan, *et al*, Op.Cit. p.115.

(2) STATISTICAL YEAR BOOK: Jamaica, 1978. Kingston: Dept. of Statistics.

(3) The PNP first came into office in 1955, under the leadership of Norman Manley. During its first tenure the party failed to develop any mass organization, and continued the 'open door' policies toward foreign capital initiated by the JLP which had first come into office in 1944, when Jamaica achieved limited internal self-government. The JLP was returned to power in 1962, the year Jamaica attained full political independence, and governed the country continuously until the PNP victory in the 1972 election.

priorities of the new PNP administration were defined in large part by the factors that had prompted the election outcome: The burgeoning unemployment crisis, the deteriorating distribution of income, and the poor quality of social services. The constraints provided by the objective situation therefore, had already set the parameters that in large part were to shape the direction of Manley's economic policies. These constraints impelled the government towards an experiment with a new set of policies designed to seek greater autonomy from the course of events in the international economy.

THE SUBJECTIVE SITUATION. - The Leadership Component.

Raymond Duncan in "The Struggle in Jamaica" (1984) notes that the essential leitmotif in Jamaica's legacy is

"one of real and perceived dependency that makes the Island both sensitive and vulnerable to external economic and political pressures"⁽¹⁾

Manley's rhetoric does indeed express a marked resentment of this 'dependency syndrome', and a desire for autonomy and independence in political and economic affairs. His rhetoric does also reveal an interesting

(1) Duncan, Raymond. 1984, "The Struggle in Jamaica." in CRISIS AND OPPORTUNITY: US POLICY IN CENTRAL AMERICA AND THE CARIBBEAN. Mark Falcoff and Robert Royal (eds). New York: Ethics and Public Policy Center. p.123.

mixture of idealism and opportunism.

In 1974, Manley published The Politics of Change in which he outlined his vision of social transformation for Jamaica. In this book, Manley reveals remarkably accurate perceptions of the Jamaican economic situation. With respect to the external orientation and trade dependency of Jamaica for instance, he notes:

" Perhaps the most characteristic of all common features of colonial economies is the tendency towards import-export orientation...Imports and exports occupy a disproportionate share of the total economy...it is inevitable that our economy should reflect a striking absence of linkages."⁽¹⁾

The essence of Manley's vision of transformation was socialist – a Fabian-type notion of a socialist democracy based largely on the ideas of British socialist theoretician Harold Laski. But although Manley showed remarkably accurate perceptions of the Jamaican economic situation, his idealism was evident in his prescriptions for its economic and social ills. His attitude in this respect reveals a strong desire for the creation of the right psychological attitudes, the creation of confidence in the Jamaican people, the lack of which he believed to be bedevilling efforts at development. But as will be demonstrated below, Manley's prescriptions

(1) Manley, Michael. Excerpt from The Politics of Change. in THE SEARCH FOR SOLUTIONS: SELECTIONS FROM THE SPEECHES AND WRITINGS OF MICHAEL MANLEY. edited by John Hearne. Oshawa: Maple House, 1976, p.100-103.

for Jamaica's ills, and his perception of the key issue area, were not shared by other elites (especially those in business) nor in the final analysis by the majority of Jamaicans.

In The Politics of Change for instance, Manley states that,

"Because colonialism undermined confidence, the great need now is to develop a mood of national confidence in which the people at large assume that they have both the duty and the capacity for great achievement."⁽¹⁾

The same sentiments were expressed in an interview with Richard Hillsman:

"[Social attitudes and changing visions] can lay the foundations of the future... *the real transformation has to be psychological and politica. transformation.* Of that I have no doubt whatsoever."⁽²⁾ (Emphasis added)

In an interesting study of the perceptions of a cross-section of the Jamaican people undertaken by Hillsman however, the most pressing perceived problem was not a crisis of confidence as Manley believed, but rather the domestic economy and political violence. (See tables 1 and 2 in appendix A.). These perceptions had the effect of stimulating large scale emigration of the middle classes, producing a flight of capital, and a

(1) Manley, Michael. 1974, excerpt from The Politics of Change, London: Andre Deutsch, pp.91-92.

(2) Manley, Michael. Excerpt from an interview with Richard Hillsman in Hillsman, 1979, "Legitimacy and Change in Jamaica." in JOURNAL OF DEVELOPING AREAS. v. 13, #4, July. p .

shortage of administrative capacity to implement decisions effectively. As will be shown later on in the discussion, the increasing negative attitudes of the Jamaican middle classes towards the rapidly deteriorating situation and Manley's prescriptions, alienated much of the popular support upon which Manley relied.

It is being argued that in his prescriptions for Jamaica's situation, Manley failed to recognize that fundamental change could only be achieved beginning at the level of the economy before any meaningful psychological change could be initiated. Such a posture was wholly characteristic of the type of idealistic socialism Manley preached. His idealism translated into grandiose visions of third world leadership along the lines of statesmen like Julius Nyerere of Tanzania, whom Manley greatly admired. This is evident from Manley's comments at a budget debate in the Jamaican parliament in 1971. Referring to the lack of leadership among third world states, Manley asserted:

"(T)he very fact that the 'third world' is without leadership that comprehends economic issues and and involvement and interests, that makes it so very important that countries like Jamaica should assert leadership in the 'third world'...I think Jamaica is particularly suited to that voice."⁽¹⁾

Manley's role conception, which reflected his foreign policy

(1) Manley, Michael. Excerpt from comments at a budget debate, 15th July, 1971. In THE SEARCH FOR SOLUTIONS. Op.Cit., p. 194.

preference, is thus revealed as being essentially reformist - revealing a strong desire to reform the Jamaican people and the patterns of Jamaica's international economic relations. Similar attitudes were shared by the PNP elite, when in 1974, the party declared its commitment to 'Democratic Socialism'.⁽¹⁾

Although the PNP leadership (Manley) had a correct assessment of the need for change, it is doubtful whether they had a clear conception of the path their strategy of transformation would take. Indeed, the proclamation of 'Democratic Socialism' in 1974 could be interpreted as a populist posture on the part of the PNP leadership, an attempt to appease popular demands for greater control over Jamaica's economic and political affairs. As noted during our discussion of the political and social structure, politics in Jamaica was non-ideological, and neither of the two major parties were ideologically-oriented parties. Had the PNP's proclamation of democratic socialism really heralded the advent of a true ideology, steps would have been taken to carry out a

(1) Democratic socialism, to be distinguished from the socialist democracy of several western European states, envisages public (state) control over the commanding heights of the economy within the framework of a democratic party system of government. Socialist democracy on the other hand, does not really challenge the institution of private property, but encourages state participation in certain essential services and the protection of the citizen from encroachment by private capital - a welfare state.

re-organization of the party to broaden its membership base. Instead, Manley continued to rely on the clientelistic loyalties that characterized Jamaican politics. Manley for instance, cynically notes with respect to the patron-client relations in Jamaican politics:

"Party loyalties in Jamaica are tangible things you can eat. You talk about bankable assurance. I mean, a party can betray everything imaginable, make the most horrendous errors and have that bedrock that is not something that just comes out every four years like a democrat maybe in the states..."⁽¹⁾

Later events were to prove just how erroneous his perceptions were, when support for the PNP, his 'bankable assurance' deserted him. Throughout its two-term tenure, the PNP did little to transform the patterns of patronage and clientelism, to create a truly ideologically-oriented mass-movement with grass-roots identification, which is an essential instrument for social and economic transformation, and in the end was a victim of this very system.

(1) Manley, excerpt from an interview with Richard Hillsman. Quoted in Hillsman, Op.Cit., p.398.

3: The Foreign Economic Strategy: 1972 to 1976.

The PNP under Manley won the 1972 election on a populist platform, appealing to the dispossessed in Jamaica and pledged to revive the party's 'socialist' heritage and to lead Jamaica to genuine independence by reforming the structures that had kept it dependent since its independence in 1962. The strategy initiated by the PNP in 1972, although still early in its development, was closer to the radical end of the foreign economic policy continuum (see Part Two). The general objective was to re-negotiate and redefine the terms of Jamaica's dependency vis-a-vis foreign capital and in this regard, the possibilities of expanding state control over the economy were examined and a National Bauxite Commission was established to study the bauxite industry. In view of the importance of the bauxite industry to the Jamaican economy, the discussion of the PNP's strategy will begin with an analysis of its bauxite policies, proceeding to an analysis of policies with respect to other sectors of the economy.

Bauxite Policy: In January 1974, Manley announced that the government would re-negotiate existing contracts with the bauxite and alumina companies, and travelled to the USA and Canada to explain his government's position with respect to the bauxite industry.⁽¹⁾ The strategy

(1) Manley had talks with Canadian P.M. Pierre Trudeau, and US Sec. of State Henry Kissinger. The bauxite operations in Jamaica were American and Canadian companies.

with respect to bauxite was to begin a process of partial disengagement from the dependence on multinational capital and to exercise greater control over the industry. The strategy was gradualist in its implementation and was necessitated by the impossibility of developing bauxite and alumina completely independent of the multinational firms. The reasons for this were as follows:

Given the vertically integrated nature of the aluminum industry, it would have been extremely difficult for Jamaica to break completely with the MNCs since the island lacked the technology and the markets to develop its bauxite resources. Moreover, and equally importantly, Jamaica was poor in energy sources, (it relied on imports of oil and natural gas for generating electricity) an essential requirement in the smelting of aluminum. Finally, there was a constitutional clause guaranteeing adequate compensation in the event of nationalization (a clause the PNP could not have changed without the support of the opposition JLP in parliament) and to have done so would have meant that Jamaica would have to carry a heavy financial burden.⁽¹⁾

In The Struggle in the Periphery, Manley lists six goals that the government had with respect to bauxite: 1: To repatriate the lands owned

(1) See Stephens and Stephens, Op.Cit., p.408, footnote *20.

by the bauxite mining firms; 2: to acquire 51% ownership of the bauxite mining operations; 3: to establish the Jamaica Bauxite Institute; 4: to form a cartel of bauxite producing countries; 5: to increase revenues through a tax based on the price of the aluminum ingot; and 6: to develop a smelter complex in cooperation with Venezuela and Mexico.⁽¹⁾ As Stephens and Stephens note, the first objective, the repatriation of the bauxite lands, which were wholly owned by the multinationals, was not just aimed at bringing land back into local ownership and bringing idle land into food production, it was also tied to control of the bauxite reserves.⁽²⁾ The bauxite companies, as noted, together controlled 1.5 billion tons of the ore, but were mining only 12 million tons annually. Over the next few years, the government negotiated agreements that provided for the purchase of all lands containing the bauxite ore, and in turn re-assigned portions of the lands to the companies and guaranteed them access to the reserves for the next forty years.⁽³⁾ By this action, the PNP succeeded in gaining control over the bauxite reserves plus the use of the idle lands for agricultural purposes.

In line with the second objective, the government purchased 51%

(1) Manley, Michael. 1982, JAMAICA: THE STRUGGLE IN THE PERIPHERY. London: Third World Foundation, p.98.

(2) Stephens and Stephens, Op. Cit. p.385.

(3) _____, Ibid. p.386.

ownership of the companies engaged in the mining of bauxite only (Kaiser and Reynolds) and between 6 and 7% of the companies engaged in both mining and the processing of alumina (Alcan and Alcoa). The purchase terms were favourable to the government and the companies were given management contracts of about seven years.⁽¹⁾

In line with the third and fourth objective, steps were taken to establish the Jamaica Bauxite Institute (JBI) to provide expertise and guide the overall bauxite policy. In the spring of 1974, the International Bauxite Association (IBA) was formed following active diplomacy on the part of Manley. The IBA brought together eleven of the major bauxite producing countries, including Jamaica,⁽²⁾ and was modelled along the lines of the OPEC - a producer cartel. The objectives of the IBA were to create some sort of unity among producing countries and thereby strengthen their position *vis-a-vis* the multinationals; to increase revenues accruing to member governments through a uniform price and tax system; and through an exchange of technical and managerial expertise, to reduce the technological monopoly the multinationals had in this field. We shall return to an analysis of the IBA a little later in our discussion.

(1) Stephens ad Stephens, Op.Cit., p.386.

(2) IBA member countries were: Australia; Ghana; Guinea; Guyana; Jamaica; Sierra Leone; Surinam; Yugoslavia; the Dominican Republic; and Haiti. Indonesia joined in 1975. The IBA was headquartered in Jamaica.

In line with the fifth objective (i.e, to increase revenues through a tax based on the price of the aluminum ingot), in May 1974, a levy of 7.5% was unilaterally imposed on all bauxite mined in Jamaica, after talks between the government and the corporations broke down. This levy, it was believed, would raise revenues accruing to the government sevenfold. The aluminum corporations naturally protested the actions of the government and contested the legality of the action in a suit filled with the World Bank's International Center for the Settlement of Investment Disputes (ICSID).⁽¹⁾ A fuller discussion of the reactions of the aluminum firms to Manley's actions is provided below, and suffice it to say at this point that the imposition of the levy which dramatically increased revenues, was the one aspect of the governments' bauxite strategy to meet with a measure of success.

The PNP's bauxite strategy must be seen in the light of the objectives of its overall objectives of diversification and promotion of third world solidarity and cooperation. Jamaica's efforts that led to the formation of the IBA and the signing of the tripartite agreement with the governments of Mexico and Venezuela, establishing the JAVAMEX smelter, must be seen in this light.

(1) Ambursely, 1983, "Jamiaca: From Manley to Seaga", p83.

The signing of the agreement establishing the JAVAMEX (for Jamaica, Venezuela and Mexico) was in line with the sixth and final objective of the PNP's bauxite policy, and was an attempt to create forward linkages in cooperation with other third world governments. As noted, Jamaica was poor in energy sources and as such could never smelt its own aluminum. In order to integrate forward and reduce its dependence on the multinationals, it needed a joint venture in which the smelter would be built in an energy rich partner (as for instance Venezuela) with the alumina supplied by Jamaica.⁽¹⁾ The PNP also entered into a series of joint venture negotiations with the governments of Trinidad, Algeria, and Iraq of which none came to fruition, for reasons to be discussed below.

Between 1972 and 1976 therefore, the PNP government had set in motion the drive towards reducing the island's dependency on the aluminum multinationals, and to secure a greater measure of control over the one major resource on which the country depended for its foreign exchange earnings. In sub-section four below ('Stresses and Strains'), we examine in greater detail the effects and the impact of Manley's bauxite policies and the reactions from the aluminum firms and from the United States.

(1) Stephens and Stephens, Op.Cit., p.387.

Manufacturing: As noted, the manufacturing sector in Jamaica after periods of growth in the 1950's and 1960's had begun to decline in the 1970's, and the huge import bill attributable to the sector was partially responsible for the precarious trade deficit. The Policy initiatives of the PNP government with respect to manufacturing therefore, were directed at halting this decline and on improving export performance. These included successive devaluations of the Jamaican dollar (to make exports cheaper and more attractive, and to reduce imports by making them more expensive). The government also created the Certified Exporters Scheme (CES) designed to ensure that producers capable of meeting a specified level of exports received priority in the disbursements of foreign exchange for the import of necessary inputs.⁽¹⁾ The successive devaluations however, (there were more of them between 1977 and 1979) which translated into a rise of almost 39% in the real exchange rate, coupled with the import restrictions, virtually starved domestic producers of their much needed inputs.

Agriculture: Agriculture in Jamaica had stagnated during the 1960's and by 1970, Jamaica had become a net importer of agricultural commodities.

(1) ECONOMIC SURVEY, 1982, pp. 554-555.

The PNP government in 1972 thus attached considerable priority to increasing agricultural production in view of the potential of the sector for creating employment and improving the external payments situation.

Following studies commissioned by the government and carried out by the World Bank and a team of experts headed by renowned West Indian economist Arthur Lewis, measures designed to overcome agricultural stagnation were introduced. Prominent among these measures were the reorganization of the agricultural ministry and other agencies involved in the making of agricultural policy and providing support services; stepped-up government investment in infrastructure; the rehabilitation of the sugar industry; and the project 'Land Lease'.⁽¹⁾

The 'land lease' project was the most succesful of the PNPs agricultural policies. Under the project, the government acquired arable but idle farm land (mainly the lands formerly owned by the bauxite and alumina firms) for leasing to underemployed farmers and selected landless agricultural labourers. In addition, it provided the necessary support services to the beneficiaries. Between 1972 and 1979, 36,500 farmers (equivalent to 19.5% of the economically active population in agriculture

(1) ECONOMIC SURVEY, Op.Cit., 1982, p.555. See also ECONOMIC AND SOCIAL SURVEY OF JAMAICA, 1972. (Jamaica, 1974). pp.130-131.

in 1970) benefitted from the land-lease project. Also, by 1976, over 67,500 acres (or about 31% of the lands that had been idle) had been brought under cultivation.⁽¹⁾ The success of the land-lease project was considerable: between 1970 and 1978, output in agriculture (i.e, domestically consumed produce) rose almost 82%,⁽²⁾ and until the foreign exchange crunch that hit the Jamaican economy in 1976 and again in 1979, this increase was enough to compensate for the reductions in food imports brought about by the government's import-restriction measures.

Tourism: There were no major policy initiatives on the part of the PNP with respect to the tourist industry. The Hotel Incentives Act, passed by the JLP administration in 1968 remained in effect. As noted earlier, the expansion in capacity which this act produced was not matched by a proportionate increase in the number of tourist arrivals. This resulted in a number of bankruptcies especially between 1976 and 1977. In the midst of this, the PNP administration took over a number of operations and subsidized others, but given the deteriorating economy and the high incidence of violence, the number of tourist arrivals continued to decline with the resultant loss of revenues.

(1) ECONOMIC SURVEY, 1982, p.550.

(2) _____, ibid, p.550.

Other Economic and Fiscal Policies: Domestically, the PNP took steps at reducing the inequities in Jamaican society. Priority was given to the creation of employment opportunities (by 1972, unemployment stood at 24% of the work force). In 1972, a number of policy initiatives were undertaken, including: a) The 'Operation Grow' policies, comprising a package of measures designed to stimulate growth and employment in agriculture; b) the creation of employment through public sector work programmes; and c) expansionary fiscal and monetary policies financed by external borrowing and the increased revenues accruing from the bauxite levy.

The direction of the government's expansionary fiscal and monetary policies must be seen in the light of its ideological commitments since democratic socialism envisaged the expanded presence of the state or public sector in the economy through the acquisition of assets in the private sector. Thus between 1972 and 1980, public sector expenditure levels were increased (in 1973 for instance government spending increased about 25%). The expanded presence of the state included the nationalization (with compensation) of the foreign-owned utilities - the electricity, telephone and public transit facilities.⁽¹⁾ At the PNP's annual

(1) Ambursely, 1983, Op.Cit., p.81.

conference in 1974, Manley officially declared his party's commitment to democratic socialism.

It has been suggested that although the party leadership was aware of the objectives in initiating their process of change, it is doubtful whether they had any clear conception of how this transformation would be carried through. The proclamation of the socialist ideology must be seen in this light. The PNP claimed to be a vanguard socialist party yet the trappings of a typical socialist transformation were missing. There was no nation-wide organization for mobilizing the youth and other sectors of the population behind the government. Instead the PNP's brand of socialism was manifest in the idealism and rhetoric of Manley who "restlessly roam(ed) the countryside, talking about justice and imperialism and exhorting the population to greater effort."⁽¹⁾ Policies initiated during the first tenure of the Manley administration were mainly short-term measures (as for instance the 'operation grow' policies). It was not until 1978, *four years* after the proclamation of democratic socialism, that the PNP introduced a comprehensive long-term development plan. As will be demonstrated later on in the discussion, this omission on the part of

(1) O'Flaherty, Daniel, J. "Finding Jamaica's Way." 1978, p.142.

Manley was perhaps his single biggest mistake.

It is hardly surprising therefore the Richard Hillsman's study in 1978, to which we have already referred, revealed that although democratic socialism was designed to meet the needs and fulfil the aspirations of Jamaicans, it was perceived by those interviewed as having had a negative effect on the country. Manley was perceived as being correct in his historical interpretation of the need for change, but incorrect in his prescriptions for change.⁽¹⁾

Economic and Political Relations with Other States: The policy initiatives of the PNP government with respect to the major sectors of the economy outlined above, must be understood in relation to its broader objectives of redefining the terms of Jamaica's dependency, diversification of trade and promotion of third world solidarity. Manley therefore undertook to promote greater regional and inter-third world cooperation, and we have already noted in this regard the PNP's efforts leading to the formation of the IBA and the agreement to establish the smelter project in conjunction with Venezuela and Mexico. The PNP's efforts at regional cooperation also took shape in the formation of the Caribbean Community (CARICOM) in 1973.

The CARICOM was a common market established with the objective

(1) Hillsman, Richard, "Legitimacy and Change." Op.Cit., p.142.

of promoting economic integration in the Caribbean. The CARICOM brought together Guyana, Trinidad and Tobago, Jamaica, and Barbados and was enlarged when some of the smaller territories joined, including Grenada in 1975. The CARICOM was essentially a development of the Caribbean Free Trade Association (CARIFTA) which had been established in 1968 and aimed to remove tariffs, quantitative restrictions and other restrictive trade practices among participating nations.⁽¹⁾ Although the economic cooperation envisaged in the CARICOM was particularly useful for small countries with small domestic markets which could not sustain efficient industrialization, like most other attempts at regional economic cooperation among third world countries, the CARICOM was plagued by a host of problems that made effective economic cooperation at the regional level difficult.

Among the problems was the fact that trade among member states was low. As noted, in the case of Jamaica, its principal trading partners were the USA and other developed nations in Western Europe, and less than 8% of its trade (1973) was with other Caribbean states (see tables 3.2 and 3.3 above). Indeed with most of the other CARICOM member states, trade continued to 'follow the flag' so to speak. Moreover, the

(1) See Bell, Wendell, Op.Cit., p.367.

non-complementarity of their economies and the need to protect weak import-substitution industries from competition necessitated trade restrictions to protect such industries from similar imports.⁽¹⁾ Under the framework of the CARICOM however, Jamaica was in 1976 the beneficiary of a US\$ 55 million loan package from the government of Trinidad and Tobago, to ease the external payments strain on the Jamaican economy.⁽²⁾

To an extent, Jamaica's efforts at greater regional cooperation was an attempt to enhance national autonomy. As Vaughan Lewis (1976) notes, the existence of regional order and coherence supports national autonomy by offering the opportunity to concentrate strengths through the process of diplomatic community building, in that alienation of one unit within the community has the effect of estranging the whole community.⁽³⁾

Simultaneously with its efforts at greater cooperation with other third world governments in the economic sphere, the PNP also began to develop closer relations in the political sphere. In 1972, diplomatic relations were established with Cuba. These relations were further

(1) See Morton and Tulloch, 1977, TRADE AND DEVELOPING COUNTRIES. Chapter seven, for a fuller discussion of the CARICOM.

(2) KEESINGS, 1976, August 27, p.27904. Trinidadian dollar figure converted to US dollar by author.

(3) Lewis, Vaughan, A. "The Commonwealth Caribbean and Self-Determination in the International System." in SIZE, SELF-DETERMINATION AND INTERNATIONAL RELATIONS: THE CARIBBEAN. Jamaica: ISSER, 1976, p.245.

strengthened in 1975 with the visit to Cuba by Manley, a visit that was to have important repercussions on the PNP's policies especially in respect of the reaction from the USA and the opposition from domestic elites who feared Cuban-style communism was about to be introduced into Jamaica.

Diplomatic relations had been established with six African states in 1968 and these relations were strengthened by Manley.⁽¹⁾ The PNP also made efforts at closer identification with the nonaligned movement and other third world political and economic groupings. This must be seen in the light of the observations made earlier, i.e, Manley's objective of widening and deepening Jamaica's relations with other third world states, and his role conception of third world leadership. Thus at the Algiers summit of the Nonaligned Movement, Jamaica was one of the active participants in the call for a New International Economic Order (NIEO); and in 1974, Jamaica was one of the 46 African, Pacific and Caribbean (ACP) countries to sign the Lome Convention, establishing the ACP, which was

(1) It is interesting to note the links the Rastafarian cult in Jamaica had with the African continent, from where the Rastafarians believed a 'black king' would emerge to 'liberate' them. Thus as Wendell Bell notes, Manley's policy initiatives towards Africa can be partly viewed as an effort by the PNP to influence the domestic scene by incorporating the Rastafarians into Jamaican society. See Bell, Wendell, *Op.Cit.*, 693. The African states with which Jamaica had diplomatic ties were Ethiopia (1968), Ghana (1968), Sierra Leone (1968), Tanzania (1970), Zambia (1970) and Nigeria (1970).

designed to facilitate the participation of the former colonies of the European Countries in the European Community (EEC).⁽¹⁾

The above account has provided an overview of the major aspects of the foreign economic strategy initiated by the PNP government from 1972 to 1976. In the section below we examine the impact of Manley's policies on the Jamaican situation.

4: Stresses and Strains. The reactions from external and internal forces to Manley's policies were immediate. The Ford administration in the US made its displeasure known by postponing an approved development loan package and placing an embargo on all such future loans to Jamaica.⁽²⁾ The American press indirectly contributed, by discouraging people from visiting the island through adverse reports in the US media about conditions in Jamaica. Although US interests in Jamaica were mainly in the bauxite industry as noted, American pressures on

(1) KEESINGS, 1974.

(2) O'Flaherty, J.D. Op.Cit. p.138. In 1975 for instance, the US Agency for International Development (USAID) refused Jamaica's request for a \$2.5 million food grant and refused to lend additional funds to the Manley regime until it changed its stance. O'Flaherty quotes one US Treasury official as saying it would have been the "wrong signal to give aid to a country unilaterally ripping-off US firms." The US embargo on aid to Jamaica continued until 1977, when it was revoked by the new Carter administration.

Jamaica were just as much a result of geo-political, strategic and security interests as of economic. In this respect, it was Manley's close relations with Cuba, his socialist ideology and aggressive nonaligned rhetoric, that were particularly aggravating to the Americans.⁽¹⁾

The aluminum multinationals also reacted to the PNPs policies. As noted earlier, a suit was filled with the World Bank's ICSID by these firms protesting the legality of the unilateral imposition of the levy. Simultaneously, massive transfers of bauxite and alumina to other countries took place and the inflow of new investment was reduced. In late 1975, direct foreign investment became negative (as late as 1971, it had been equivalent to 11% of GDP).⁽²⁾ Jamaica's share of the world market for bauxite plunged from 27% in 1970 to 17% in 1975.⁽³⁾ It is a credit to the PNP's imposition of the levy that despite these adverse reactions, revenues from the bauxite industry increased (see table 3.4 below).

As noted earlier, of all the six objectives of the government's strategy

(1) Stephens and Stephens note that there was evidence linking the adverse press campaign in the US in 1976, to deliberate and distorted leaks from the State Department, and the pattern of violence that occurred in Jamaica the following year suggested the involvement of forces with expertise in destabilization (the CIA). Although these allegations have not been substantiated, the ideological orientation of the PNP, and its overtures towards Cuba and the Communist countries, was bound to raise considerable suspicion in the US administration. See Stephens and Stephens, Op.Cit. p.402. See also KEESINGS, August 27, 1976, p.27901 for reports on alleged CIA destabilization activities in Jamaica.

(2) ECONOMIC SURVEY, 1982, p.564.

(3) Ambursely, 1983, Op.Cit. p.83.

with respect to bauxite, only the the imposition of the bauxite levy which increased revenues seven-fold, met with any success. The overall bauxite strategy however was not successful. We noted that the bauxite strategy was part of the government's broader strategy of increasing regional cooperation, promoting third world solidarity, and diversifying trade. In this regard, the government looked to three groups of countries for support: The developed communist countries of Eastern Europe; the social democracies of Western Europe; and other third world countries.

As far as the first was concerned, Manley's efforts to increase trade relations with the Communist countries did not meet with any measure of success, and failed to produce any significant agreements. An agreement was reached with the USSR, but contrary to Manley's expectations, Jamaica was offered no concessionary terms and the Soviets agreed to pay the world market price for bauxite.⁽¹⁾ As far as the social democracies of Western Europe were concerned, a deal was struck with Norway that provided for Norwegian assistance to Jamaica to establish an alumina processing plant independent of the MNCs. This agreement was never implemented however, due to the fact that both the Norwegian government

(1) Stephens and Stephens, p.386.

and the PNP were later voted out of office. The biggest let down for Manley however was the lack of support from other third world governments.

We noted that the IBA was established as a sort of producer cartel to strengthen the position of the producing countries in the international market for bauxite and aluminum. The operation of the IBA however was marked with a remarkably low level of solidarity. As Manley notes in The Struggle in the Periphery, after the Jamaicans imposed the bauxite levy in 1974, other bauxite producing members were encouraged to match the Jamaican initiative. The other bauxite producers however (such as Surinam, Sierra Leone, and Guinea) fixed their level of taxation below Jamaica's, thus securing for themselves a competitive advantage, and undermining the ability of the organization to present a unified front.⁽¹⁾ It was therefore in respect of the disunity among IBA members that the aluminum MNCs were able to transfer resources from Jamaica to other producing centers. Jamaica's share of world bauxite production fell from 27% in 1970 to 17% in 1975.⁽²⁾ Manley was later compelled to grant

(1) Manley, Micheal. THE STRUGGLE IN THE PERIPHERY. p. 102.

(2) In all fairness to the other bauxite producing nations however, in the wake of the international recession occasioned by the oil-price hikes in 1973, and the general slump in the world market for commodities, Jamaica's production of bauxite would have fallen nevertheless

substantial concessions to the companies. In 1979, a reduction of 20% in the levy rate was announced in return for informal commitments from the companies to expand production.

Domestically, the economic situation continued to deteriorate in spite of the government's policy initiatives. Bauxite production which as noted earned 35% of the country's foreign exchange, fell by between 25-35% between 1974 and 1976, and revenues from the levy which continued to rise in absolute terms, fell below its 1974 level in relative terms⁽¹⁾ (see table 3.4 below). This situation, in the midst of the oil-price hikes and the general slump in the world market for commodities which depressed sugar prices, produced a balance of payments crisis for the Jamaican economy. The overall deficit rose from US\$ 205 million to US\$ 405 million in 1976.⁽²⁾ Domestic inflation soared (20-30%) precipitated by the large increase in government spending, and urban unemployment increased to between 25-30% (unofficial estimates put the figure at around 50%)⁽³⁾

The progressive decline in the Jamaican economy between 1972

(1) KEESINGS, 1976, p.27904.

(2) KEESINGS, Ibid. p.27904. Figures have been converted from Jamaican dollars to US dollars by author.

(3) KEESINGS, ibid. p. 27904.

and 1976 was partly a result of Manley's policies and partly a result of factors entirely beyond the control of the government (e.g, the oil-price hikes and the international recession). The impact of the external factors however illustrates just how vulnerable the Jamaican economy was. By 1976, the full effects of the international recession became manifest in the changes in Jamaica's external situation, as foreign demand for the country's principal exports (including tourism) declined considerably (the price of sugar for instance declined by 60%).⁽¹⁾ As a result of these circumstances, the value of Jamaica's exports declined by US\$ 166 million (or 15%).⁽²⁾

In this environment of economic decline, the government in early 1976 announced a new anti-inflation package designed to increase bauxite production, restrict wage demands, and introduced new import restrictions. The balance of payments situation worsened despite the government's package, and by the end of April 1976, the country's net foreign reserves showed their first ever negative balance, falling short of outstanding liabilities by over \$20 million.⁽³⁾ Jamaica had for the first time become a net-debtor country.

(1) ECONOMIC SURVEY, 1982, p.565.

(2) _____, p.565.

(3) KEESINGS, 1976, p.27904. figure converted to US dollar by author and rounded up to the nearest million.

Domestically, the impact of the resource-gap became pronounced. Domestic politics began to move in the direction of race and class polarization. The local capitalists joined their external allies in the anti-Manley offensive and enlisted the support of the labour movements which were critical of the government's anti-inflation package and the high level of unemployment. Substantial numbers of middle-class Jamaicans emigrated to the US and Canada, taking with them as much capital as they could, which resulted in a massive flight of capital (estimates put the figure at around US \$300 million).⁽¹⁾ Perhaps the most potent indicator of the state of social fragmentation and polarization was the dramatic increase in the level of conflict: Violent crime and politically-motivated acts of violence. A state of emergency had been declared in June 1976, amid reports of a plot to overthrow the government and linked to the JLP and a foreign power (the CIA),⁽²⁾ and the December 1976 election was fought with a level of violence hitherto unseen in the history of Jamaican politics. Despite the economic decline and despite the destabilization efforts of the JLP however, the PNP was returned to power in the 1976 election, largely by appealing to the Jamaican people to resist the forces of 'imperialism' (The CIA and the JLP) thereby rallying the

(1) Stephens and Stephens, Op.Cit., p.380.

(2) KEESINGS, 1976, p.27901.

people and diverting attention away from the economy. Indeed the government had received widespread support from the Jamaican people for its declaration of the state of emergency. The PNP won 56.8% of the vote (47 seats) and the JLP, 43.2% (13 seats)⁽¹⁾

5: The Foreign Economic Strategy: 1977-1980.

In the early months of 1977, the PNP fresh from its electoral victory rejected an IMF stand-by arrangement which had been concluded in 1976. Jamaica had through this arrangement, received access to the Fund's oil facility and compensatory drawing scheme (to deal with shortfalls in export earnings, and amounting to \$64 million) and had entered into a stand-by arrangement with the Fund through which Jamaica would have access to \$75 million or 121% of its SDR quota. The stand-by arrangement however was suspended by the government after it failed the IMF performance test in December, 1976.⁽²⁾

The PNP introduced a new reform package in March 1977 which envisaged the reorientation of the Jamaican economy toward greater use of local input, less reliance on imported materials, and a much greater role for publicly owned enterprises. In this regard, new import restrictions were introduced as well as restrictions on foreign exchange.

(1) Ambursely, 1983, p.84.

(2) ECONOMIC SURVEY, 1982, p.574.

A state trading corporation was established to regulate foreign trade, and attempts were made to strengthen economic ties with communist countries. These were all part of Manley's search for an alternative to the IMF and to ease the country's foreign exchange crunch.

Between January and April 1977, an approach was made to Moscow for aid. Given the poor record of the Communist countries with respect to assistance to UDC's, it is hardly surprising that the results were disappointing. The Soviets were reluctant to expand their role in the Caribbean by coming to the aid of Manley, saddled as they already were with Cuba. Indeed, according to reports, the Soviets accused the Manley administration of a lack of 'discipline', and laid down certain prerequisites for aid to Jamaica that bore a striking resemblance to the standard IMF package.⁽¹⁾ (This included demands that the PNP administration restrict wage increases and curtail government spending). The USSR was thus not prepared to provide aid to Jamaica and offered only new trade agreements, which provided for the sale of Jamaican bauxite to the USSR.

The domestic social and political situation continued to deteriorate however. There was stiff opposition from the Jamaican elite to the reform package, as well as opposition from the working classes. The reform package as envisaged, would have denied local manufacturers the foreign

(1) See O'Flaherty, Op.Cit. p.148

exchange needed to import the necessary inputs and would have resulted in closures and the loss of jobs. In the face of this opposition, Manley in July, 1977, accepted the terms of the IMF stand-by arrangement he had earlier rejected, a retreat that alienated much of his traditional support, and demoralized the party.⁽¹⁾

The IMF package was the standard IMF prescription for such a situation: A combination of currency devaluations, deflationary measures, and wage controls. The PNP again failed the IMF test in December, 1977, and a new agreement was reached, the conditions of which were harsher than before. They included a contraction of real wages by 25 to 30% and limits on government spending. The IMF package was a failure however and the austerity programme it entailed placed considerable hardship on the Jamaican people. The labour unions were highly critical of the the government's IMF-induced wage-restraint policies and strikes abounded. The private sector enlisted their support in opposition to the government. The consequences of Manley's failure to mobilize grass-roots identification and his cynical exaggeration of the extent of party loyalty (his 'bankable assurance') became evident. It gave the opposition JLP

(1) The party became divided as a result. The left-wing elements within the party became disillusioned and there were resignations, the most significant being that of D.K. Duncan, the party general secretary and finance minister. PNP support declined from 45% in October, 1976 to 33% in March 1977. See Stephens and Stephens, Op.Cit., p. 381.

the opportunity and the ammunition to mount a highly successful anti-Manley campaign. The PNP was accused of communist affiliations, dictatorial tendencies and incompetence. The fight against the government through violence, civil disobedience and sabotage was legitimized by the JLP as a fight for the preservation of democracy. In the face of this opposition, pressures mounted from within the party and outside of it for a break with the IMF. The break came in March 1980, after the government had yet again failed the IMF performance test, in December, 1979.

The consequences of the second break with the IMF edged Jamaica closer to the precipice of bankruptcy. With IMF support absent, Western private banks refused to extend further credit to Jamaica. These banks already had approximately \$375 million at stake in Jamaica and they made the Judgement that unless the PNP received the IMF's 'blessing' and acquiesced to its prescriptions, no further credit was to be extended.⁽¹⁾

Thus from March 1980, to the October election of the same year, the PNP introduced an 'Alternative Self-Reliant Economic Path' in an effort to re-introduce some of the reforms initiated in 1972 and eroded under the impact of the IMF prescriptions. This vacillation and apparent lack of

(1) See Leeds, Roger, S. 1982, "External Financing of Development: Challenges and Concerns." in THE FOREIGN POLICY PRIORITIES OF THIRD WORLD STATES, edited by Stremlau, John, J. Boulder: Westview. pp.110-111.

direction on the part of Manley must be understood in the light of the observations made earlier, i.e, his failure to take adequate account of the objective situation as reflected in his idealistic prescriptions, failure to undertake effective nation-wide mobilization, and his failure to clarify objectives through the introduction of a comprehensive development programme at the outset in 1972.

The cornerstones of the so-called 'Alternative Self-Reliant Economic Path' were the search for emergency loans, on soft terms from friendly countries, and an attempt to re-negotiate Jamaica's foreign debt which stood at \$1.607 billion (or 55.3% of GDP).⁽¹⁾ This attempt was not successful due partly to renewed hostility from the Americans. Relations with the US had improved under the Carter administration (which had replaced the Ford government in 1976) owing to the fact that the Carter administration had adopted a different perspective of the US role in the Caribbean.⁽²⁾ Relations however took a turn for the worse in the wake of the revolutions in Nicaragua and Grenada, and Manley's open support for

(1) ECONOMIC SURVEY, 1982, p.571.

(2) Underlying the Carter Approach to was the notion that the US could accept a socialist ideology, so long as socialist governments respected human rights and democracy and did not try to export their doctrines to neighbouring states. See O'Flaherty, Daniel, J. Op.Cit., pp.138-139.

Castro during the 6th Nonaligned Summit Conference held in Havana, Cuba in September, 1979.⁽¹⁾

The situation in Jamaica was now one of crisis proportions. There were shortages of virtually every conceivable item ranging from food and other consumer goods to raw materials for the manufacturing sector. The October 1980 election was fought with a level of violence that even surpassed that of 1976. Not surprisingly, the PNP was defeated by the JLP by a wide margin: 41% of the vote and nine seats as against the JLP's 59% and 51 seats. Manley's experiment in democratic socialism, his strategy of transformation, was thus ended.

6: Conclusion:

The decisive defeat of the Manley regime in the October 1980 election represented a repudiation by the Jamaican people of the PNP's strategy of socio-economic transformation. The strategy however, was not without some successes particularly with respect to the the bauxite levy and the land-lease agriculture project. The introduction of the levy increased revenues despite a drop in production and adverse reaction from the multinationals (see table 3.4 below).

(1) It was during this conference that Castro, who at that time held the chairmanship of the Movement, proposed the notion that the Communist countries were the 'natural allies' of the nonaligned countries.

Table 3.4⁽¹⁾
Jamaica: Bauxite Revenues and Direct Foreign Private Investment Inflows
1970-1977 (US\$ millions)

Year	Bauxite Earnings	Direct Foreign Investment inflow
1970	36.5	161.4
1971	30.3	176.2
1972	27.6	23.3
1973	25.3	22.2
1974	185.4	22.7
1975	153.3	-1.9
1976	130.2	-0.6
1977	185.6	-5.0
1978	195.1	
1979	196.0	

On balance however, the PNP's foreign economic strategy failed to put the country on a viable economic path. The eight years of steady economic decline is ample indication of this. The strategy was essentially an insulatory response to the constraints of the situation inherited by the Manley government in 1972 and was an attempt to modify the patterns of relations existing between Jamaica and the international economy. These very constraints however, namely the dislocations in the structure of the Jamaican economy, and the existence of the resource-gap; the deteriorating position of Jamaica in the international economy; external pressures and internal social and political fragmentation, which shaped

(1) Source: Stephens and Stephens, 1983. Op.Cit., p.388.

the strategy, also undermined it. The ultimate weakness of Manley's strategy however, went beyond the constraints of dependency, and was rooted in the failure on the part of the PNP leadership to take adequate account of the objective situation. Manley as noted, failed to mobilize and integrate the internal forces necessary for successful implementation of his strategy and exaggerated the extent of his popular support. He responded to populist demands and failed to clarify objectives and reconcile values by introducing a comprehensive development plan right at the outset. It was not until 1978 that any such plan was drawn up by the PNP. Manley's brand of socialism must therefore be seen as an idealistic response to populist sentiments, a reflection of Manley's attitude towards the situation which as noted, revealed an interesting mixture of idealism and opportunism. The eight years of economic decline and the high level of social and political conflict resulting, and the ignominious defeat of the PNP in the 1980 election indicate that Manley's foreign economic strategy was maladaptive.

SECTION TWO

TRINIDAD AND TOBAGO: THE SITUATION AND THE STRATEGY.

1: Introduction.

This section of the study presents an overview of the situation and the foreign economic strategy adopted by the Peoples National Movement (PNM) government of Eric Williams in Trinidad during the period 1971-1981.⁽¹⁾ The foreign economic strategy adopted by the PNM was essentially an exploitative response to the opportunities for development afforded by the oil-price increases in the 1970's. Policies adopted during this period sought to achieve a balance between both the private and public sectors, as well as between foreign and domestic interests, to promote the economic development of Trinidad. Indeed, inspite of recent economic contraction occasioned by the fall in oil prices in the 1980's, Trinidad and Tobago has emerged as a regional metropole and remains the most dynamic of all the economies in the Commonwealth Caribbean.

As with the analysis of the Jamaican strategy, the objectives of the

(1) The PNM under Dr. Eric Williams first assumed office in 1956. Thus during the period under consideration, his government was in its fourth and fith terms in office. Eric Williams died while still premier in 1981, a few months prior to the general election.

discussion in this section are two-fold:

- 1: To identify and explain how the situation shaped and influenced the foreign economic strategy; and
- 2: to assess the effectiveness or otherwise of the strategy in terms of maintaining and/or promoting the performance of the economy during the time period under review. With Jamaica, it was concluded that since Manley's strategy had failed to achieve this, his strategy is considered to have been maladaptive.

The analysis in this section is presented in four stages. The first step examines the Trinidadian situation prior to and during the period under consideration. The objective societal and external components, and subjective leadership component are analysed. The second step examines the foreign economic strategy adopted by the Williams government from 1971 to 1974. During this period, policies adopted were essentially a continuation of the export-promotion combined with import substitution strategy initiated when the PNM first came into office in 1956. By mid-1973 however, the strategy was stalling and the economy, which throughout the 1950's and early 1960's had grown steadily, began to decline. It was at this juncture however, that events occurred that immediately alleviated an economic crisis for Trinidad. These events

were the 1973 Middle East crisis and the subsequent actions of the OPEC which produced a revolution in the international market for oil. The third step in the discussion then examines the foreign economic strategy adopted by the PNM from 1974 to 1981. Being an oil exporter, the oil-price boom during this period opened up development opportunities that would otherwise not have been available. The fourth and final stage of the discussion concludes section two by assessing the impact of Williams' strategy on the short-term economic development of Trinidad and Tobago.

2: Trinidad and Tobago: The Situational Background.

THE OBJECTIVE SITUATION: The Societal Component.

The Political and Social Structure.

The contemporary Trinidadian political system is a parliamentary democracy which like that of Jamaica was modelled along the lines of the British Westminster system.⁽¹⁾ Politics in Trinidad was dominated by the PNM led by Williams, which since 1956, when the country achieved semi-autonomous status, was in power continuously until his death in 1981.

The PNM was a moderate nationalist party and in its composition reflected the interests of the middle class elite and business interests and received most of its support from the black segment of the country's population.⁽²⁾ The major opposition party was the Democratic Labour Party (DLP) which was also a middle class party but derived its support from the

(1) The system of government in Trinidad consists of two houses, the Senate of 36 appointed members (the upper house) and the House of Representatives of 36 elected members (the lower house). The prime minister is chosen from the party having the largest majority in the house of Representatives. The country is also served by a president, elected by parliament, whose function as head of state is largely ceremonial. He replaced the British Monarch as the titular head of state.

(2) Trinidad's population is a mixture of black (43%) and East Indian (40%) with the remainder being white and Chinese. The two major races gravitated towards two political blocs resulting in a considerable amount of racial conflict. See Mathews, Thomas. 1967, "Problems and Leaders in the Caribbean." in THE CARIBBEAN: ITS HEMISPHERIC ROLE. edited by Curtis Wilgus. Gainesville: Univ. of Florida Press. p. 33-34.

East Indian segment of the population. Since the general election in 1971 which was boycotted by the opposition parties, in protest against Williams' autocratic leadership style and in which the PNM won all the 36 seats, the country until recently was under a virtual one-party type of regime.⁽¹⁾

Prior to independence in 1962, the PNM successfully mobilized thousands of Trinidadians during the crucial months of the nationalist struggle. However, as Parris (1976) notes, after 1962, the mass of Trinidadians were effectively eliminated as a political force, and the basis of stability in the Trinidadian political system was in patron-client loyalties through which elites were able to enlist support from the populace.⁽²⁾ Unlike in Jamaica however, the importance of clientelism as a basis of party strength (and also as a potential source of division), except in the co-optation of labour leaders, declined in Trinidad. This was because the Williams regime was successful in consolidating various political elites into the framework of the PNM, building his party into the dominant political movement, and creating a system of government similar

(1) To update recent political events: George Chambers succeeded Williams as PM in May, 1981 and successfully led the party at the polls in November, 1981. In the December 1986 election however, the National Alliance for Reconstruction (NAR), a coalition of several opposition groups under the leadership of A.N.R. Robinson, was voted into power, thus ending almost 30 years of PNM rule.

(2) See Parris, Carl, D. 1976, "Size or Class." in Lewis, Vaughan (ed), SIZE, SELF-DETERMINATION AND INTERNATIONAL RELATIONS. Kingston:ISER, p.250.

to the single-party dominant system of the Institutional Revolutionary Party (PRI) in Mexico. This was facilitated by the compatibility of the interests of dominant elites in business, the public service, etc, with that of the regime's ideological orientation,⁽¹⁾ reflected in its role *vis-a-vis* foreign capital, which will be discussed below. Indeed the oil boom served to reduce the potential for elite conflict by mitigating the impact of the resource-gap.

The labour movement in Trinidad like in Jamaica, was divided. A series of strikes in the early 1960's by workers demanding greater benefits from independence, culminated in the passage by the government of the Industrial Stabilization Act in 1965. This act virtually outlawed strikes, which the government claimed were harmful to its objectives of attracting foreign capital. The Williams government through the passage of this act, effectively eliminated the 'crowd' as a political force.⁽²⁾ Thus

(1) See Hintzen, Percy, C. 1983. "Bases of Elite Support for a Regime: Race, Ideology and Clientelism as a basis for Leaders in Guyana and Trinidad." in COMPARATIVE POLITICAL STUDIES. v.16, #3, pp. 393-391. Cooperation from the business elite was essential to the operation of Trinidad's political system. Basil Ince notes how the fact that the Williams' government borrowed money from firms like Texaco, Tate & Lyle, and Barclays Bank, enabled these firms exert considerable influence, particularly with respect to oil policy. Other influential groups were the local chamber of commerce whose successful opposition to the Finance Act of 1966 is noted below. See Ince, Basil. 1976 " The Administration of Foreign Policy in a Very Small State: The Case of Trinidad and Tobago." In Lewis, Vaughan (ed) Op.Cit. p.315.

(2) Parris, Carl. 1976, Op.Cit. p.251.

as Basil Ince notes, with the exception of those in business, the elite in government were virtually free of any inputs from the mass of Trinidadians into the making of policy.⁽¹⁾

In the late 1960's and early 1970's, the level of social conflict escalated, reflecting the impact of a widening resource-gap caused by the decline in oil revenues occurring during this period (1966-1973). The unemployment rate was estimated to have reached 20% of the work force, affecting mainly the younger section.⁽²⁾ In April 1970, there was a series of illegal strikes by workers protesting a decline in real wages. There were also attacks on foreign properties and racial violence by the 'Black Power' movement, a radical Negro group protesting the government's apparent acquiescence to foreign capital. The culmination of this social unrest was an attempted overthrow of the government by a handful of mutinous and disgruntled soldiers in the Trinidadian army, a mutiny that was easily quelled. The PNM government reacted by declaring a state of emergency, and it is noteworthy that US and British navy warships were sent to Trinidad ostensibly to evacuate their nationals in the event of a breakdown of order.⁽³⁾ It was in this environment of general

(1) Ince, Basil. 1976, Op.Cit. p.315.

(2) Mitchel, Harold. 1971, CARIBBEAN PATTERNS. Edingburgh and London: Chambers. p.154.

(3) Mitchel, H. ibid. p.155.

discontent that the general election of 1971 took place, which was boycotted by many opposition groups protesting the government's handling of the crisis and its autocratic style.

Thus by the early 1970's, politics in Trinidad was moving in the direction of polarization and alienation, reflecting the decline in the economy. It was therefore very fortuitous that the 1973 oil boom came when it did - the rapid increase in revenues mitigated the impact of the widening resource-gap and served to deflect the discontent among the populace as new hopes for prosperity were raised.

The Physical and Economic Structure.

The discovery of oil in 1907 added a new dimension to an agricultural economy whose patterns of relations with the international economy consisted essentially in the export of tropical agricultural products (sugar, coffee and cocoa) to the metropolitan centers, particularly the United Kingdom. The oil industry subsequently became the basis for economic growth in Trinidad.

Throughout the 1950's, the Trinidadian economy grew at a phenomenal rate. The GDP grew at an annual rate of 8% and there was a corresponding high rate of increase in per capita incomes. Indeed the

national income per capita of Trinidad, which in 1980 stood at US\$ 4, 370, made it the sixth highest in the American hemisphere and ranked it 46th in the world.⁽¹⁾ But as William Demas (1965) notes, the fast rates of growth in the GDP and per capita income of Trinidad during the 1950's and 60's were not an indication of an advanced degree of structural transformation. These figures were deceptive in that they were a reflection of the rapid expansion of the oil sector in the 1950's, and the growth generated was therefore not likely to be self-sustaining.⁽²⁾ A brief sector-by-sector analysis of the nature and evolution of the Trinidadian economy from the 1950's to the early 1970's is provided below.

1: The Petroleum, and Energy Sector: The oil industry in Trinidad acted as a magnet attracting foreign private multinational capital, which provided the technology and know-how for the development of the island's oil reserves.⁽³⁾ Although Trinidad's contribution to world petroleum production was modest, this sector alone accounted for 30% of GDP in 1961,⁽⁴⁾ and 35% of GDP in 1980⁽⁵⁾; provided over 66% of the

(1) Kurian, G.T. (Compiler) 1984, THE NEW BOOK OF WORLD RANKINGS. New York: Facts on File Publications. p.98.

(2) Demas, William, 1965. THE ECONOMICS OF DEVELOPMENT IN SMALL COUNTRIES. Montreal: McGill Univ. Press. p 101.

(3), Mitchel, H. 1971, Op.Cit. p.157. The largest of these firms were the Texas Oil Co. (TEXACO) and the W.R.Grace Co.

(4) Demas, W, 1965, Op.Cit. p.109.

(5) ECONOMIC SURVEY, 1982, p.602.

government's revenues, and accounted for over 86% of the value of the country's merchandise exports.⁽¹⁾ The importance of the oil industry to the Trinidadian economy therefore cannot be underestimated.

Oil exports allowed Trinidad and Tobago to enjoy balance of payments surpluses. In 1980 for instance, a record \$ 623 million surplus (11% of GDP) was recorded. Thus unlike other UDC's, Trinidad was fortunate in being endowed with a resource like oil. The increases in oil prices after 1973 allowed it to enjoy favourable balance of payments surpluses. The growth in the oil industry (extraction and refining) was largely responsible for the rapid growth of the Trinidadian economy, and the oil price increases in the 1970's which was the primary cause of the balance of payments crises for oil-importing UDC's like Jamaica, was for Trinidad a blessing. Its economy, for instance, grew by a record 17% in 1979, a direct consequence of the 95% increase in oil prices that year.⁽²⁾ There were however, several negative effects of the growth of the oil industry which will be discussed a little later.

2: Manufacturing: Trinidad had a relatively well-developed light manufacturing sector that produced goods mainly as substitutes for imports.⁽³⁾ During the 1950s and 1960's, a series of tax incentives were

(1) ECONOMIC SURVEY, 1982, p.605.

(2) Graham, N.A. and Edwards, L. 1984. THE CARIBBEAN BASIN TO THE YEAR 2000. Boulder and London: Westview, p.110.

(3) Manufacturing activities included the processing of food, beverages and tobacco, manufacture of textiles and footwear, and the production of chemicals and non-metallic mineral products.

offered to attract foreign investors and virtually all the manufacturing concerns, like in Jamaica, required the importation of capital goods and components for further assembly. Thus the manufacturing sector in Trinidad was highly enclaved, and although under the impetus of the revenues from the oil sector the government was later able to lay the foundations for a heavy industrial sector (to be discussed below), manufacturing activities did not gain a significant weight in relation to the economy as a whole (see table 3.5 below). In 1973 for instance, the manufacturing sector contributed only 9.5% to GDP (cf. 27% for petroleum).⁽¹⁾

3: Agriculture: Agriculture in Trinidad has been on a steady decline since the 1950's reflecting the displacement caused by the growth in the oil industry. We noted earlier that the growth of the oil industry produced some negative consequences for the Trinidadian economy and this was most noticeable in the decline in agricultural production. From a net exporter of food twenty years ago, Trinidad in 1980 imported \$ 350 million worth of foodstuffs (15.2% of imports).⁽²⁾ Agriculture, which had contributed 11.8% to GDP in 1961,⁽³⁾ dropped to 4.4% in 1973, and 2.0% of GDP in 1980⁽⁴⁾ (see table 3.5). Cash-crop production - sugar, coffee and

(1) ECONOMIC SURVEY, 1982, p.602.

(2) Graham and Edwards, 1984, Op.Cit., p.110.

(3) Demas, William, 1965, Op.Cit., p.108.

(4) ECONOMIC SURVEY, 1982, p.602.

cocoa - were plagued by an outflow of labour to the oil sector where the wages were not only better, but where there was more prestige attached to the job. Moreover, agriculture in Trinidad, as in other Caribbean countries, suffered from a general malaise, a product of historical and contemporary conditions. Historically, it was a reflection of the colonial plantation agriculture, which after centuries of intensive cultivation (mainly of sugar cane) had depleted the natural productivity of the soils.⁽¹⁾ In the contemporary period, the growth in oil sector not only caused a displacement of agricultural labour to other sectors of the economy, but also created the situation in which Trinidad was one of the very few UDC's in which the size of the population economically active in agriculture declined in absolute terms.⁽²⁾

As a consequence of the displacement by the oil sector therefore, and of the relatively weak manufacturing base, the economy of Trinidad was heavily dependent on a single commodity - oil and its derivatives.

4: Tourism: The tourist industry was not as important to the economy of Trinidad as it was to Jamaica and to other Caribbean countries. In recent years however, it has expanded considerably to become the country's third

(1) ECONOMIC SURVEY, 1982, p. 602.

(2) ibid. p.603.

largest source of foreign exchange (after petroleum and interest earnings on investments). (1)

Table 3.5⁽²⁾
Trinidad and Tobago: Sectoral distribution of GDP at factor cost
(Percentages).

Sector	Percentage	
	1973	1980
Agriculture	4.4	2.0
Petroleum	27.4	35.0
Manufacturing(excluding petroleum)	9.5	7.2
Construction	6.9	8.1

The above account has provided a brief overview of the nature and evolution of the major sectors of the Trinidadian economy. Although the economy grew at an impressive rate during the 1950's and 1960's, this growth was largely a reflection of the expansion of the oil sector, and the economy still bore all the hallmarks of an underdeveloped economy. The growth in the GDP and per capita national incomes during this period was mainly restricted to the enclaved oil sector and its associated industries, thus producing a skewed income distribution and restricted consumer

(1) TRINIDAD AND TOBAGO, STATISTICAL SURVEY, p.528

(2) SOURCE: ECONOMIC SURVEY, 1982, p. 602.

markets. Moreover, like the expansion of the bauxite sector in Jamaica, the growth in the oil sector in Trinidad did not occasion any reduction in the level of unemployment. This was partly due to the capital intensive nature of the industry, and the high rate of growth of the work force (2.4%). Thus the unemployment rate, which stood at 10.6% of the work force in 1960⁽¹⁾ shot up to 16% in the first half of the 1970's.⁽²⁾ This relatively high unemployment rate, coupled with the government's policy of keeping wages low to attract foreign investment (wages in Trinidad are 1/6 that of the USA) was reflected in the patterns of relations in the political and social structure discussed above.

The External Situation.

As already noted in the discussion of the economic structure, Trinidad's economy was highly penetrated and dependent. This dependence was manifest structurally in the high ratio of foreign trade to GDP and also in the reliance on foreign private capital inflows for investment. This was evident in the large divergence between the country's GDP and the GNP (See table 3.6 below).⁽³⁾ This was a reflection of the reliance on foreign

(1) Demas, William, 1965. Op.Cit., p.109.

(2) ECONOMIC SURVEY, 1982, p.611.

(3) As noted in Part Two, the GDP tends to exceed the GNP in countries that rely on foreign capital inflows for investment.

Table 3.6⁽¹⁾

Trinidad and Tobago:

GDP and GNP percapita at factor cost, 1962. (In Trinidadian dollars)

GDP	GNP
1180	1050

investment inflows into the enclaved oil industry.

This pattern evolved out of a single commodity export system which like Jamaica's, was rooted in the colonial economy in which sugar and sugar products were the major export items. With the discovery of oil in 1907, petroleum products eventually replaced sugar as the major export item, and by 1980, oil exports accounted for 95% of Trinidad's exports.⁽²⁾ With Trinidad therefore, we had a particularly skewed export trade, a pattern of dependency that was excacerbated by commodity concentration: The commodity concentration ratio in 1980 was 92.9 reflecting the dominance of oil and oil products in exports.

In addition to its dependence on the export of petroleum, Trinidad was also dependent on imports of food and other consumer items. In 1962 for instance, food accounted for 13.8% of imports, raw materials accounted for 51.8%, and manufactured goods, 20.6%.⁽³⁾ This was a

(1) Source: Demas, William, 1965, Op.Cit., p.102.

(2) Graham and Edwards, 1984, Op.Cit., p.110.

(3) Demas, William, Op.Cit., p.104.

product of two factors: a) The decline in agriculture reflecting the displacement by the petroleum sector which has already been noted; and b) the constraints deriving from Trinidad's small physical and material size.

By any objective or subjective criteria, Trinidad and Tobago is a small actor (1, 980 sq miles and a 1980 population of only 1.2 million).⁽¹⁾ This had the effect of limiting the resource potential of the economy – both in terms of human resources and raw materials. The base of the Trinidadian economy rested essentially on one natural resource, petroleum and its derivatives. Small size also served to restrict the size of the domestic market, and this was reflected in the lack of appreciable growth in manufacturing. Thus the combination of a narrow resource-base and of a restricted consumer market made Trinidad heavily dependent on the import of raw materials, food and manufactures, and this contributed to the external orientation of the economy. The Trinidadian economy therefore was heavily dependent on external trade. In 1962 for instance, exports accounted for 59.3% of GDP and imports, 64.5%, and total foreign trade accounted for over 60% of GDP.⁽²⁾

(1) Graham and Edwards, 1984, p.109

(2) Demas, W. 1965, p104.

In its patterns of relations in international trade therefore, Trinidad was in the position of an exporter of primary commodities whose dependence was intensified by commodity concentration. But as noted in Part Two, the fact that the commodity being exported was oil, had the potential to off-set some of the constraints deriving from Trinidad's peripheral position in international trade. The oil boom of the 1970's resulting from the actions of the OPEC, an organization of which Trinidad was not a member, had precisely this effect: The dramatic increase in the price of Trinidad's oil exports elevated its position to that of a capital-surplus, net-creditor economy. (See table 3.7 below).

In its patterns and direction of trade Trinidad's relationships, like that of Jamaica, was dominated by the United States. In 1980, for instance, the US took 61% of the country's exports, and supplied 26% of its imports.⁽¹⁾ Other imports were 20% from Saudi Arabia, 11% from the UK, 10% from Japan, and 6% from Canada.⁽²⁾ The relatively high level of imports from Saudi Arabia was a result of the importation of crude oil for refining and transshipment. Thus as with Jamaica, there was relatively little trade between Trinidad and its neighbours. The fact that over 60% of Trinidad's exports (mainly of mineral fuels and lubricants) went to the US, made the maintenance of good relations with the latter essential for the

(1) Graham and Edwards, 1984, p.110.

(2) Ibid. p.110

the island's economic development. Under Williams, Trinidad's orientation in international politics was pro-American and pro-West, an orientation that could be described as conformist.

Thus objectively, Trinidad's situation, like that of Jamaica, was that of a primary commodity exporting, trade dependent actor that financed its economic growth largely through an infusion of foreign capital. Like the Jamaican economy also, the external orientation of the Trinidadian economy was reflected in the fact that expansion or contraction was a reflection, not of internal factors, but of external forces. The economy grew in times of international economic expansion (1950's and early 1960's) and declined in times of international economic contraction (late 1960's and early 1970's). There was however, a major difference between the two countries, the importance of which was to become manifest in the second half of the 1970's: Trinidad was an oil exporter, Jamaica an oil importer. Thus while the changes in the international economy occasioned by the oil price revolution was a bane to the economy of Jamaica and intensified the constraints of the Jamaican situation, it was a blessing to that of Trinidad. (See table 3.7 below).

Table 3.7.⁽¹⁾
Trinidad and Tobago: Evolution of the nominal price of Petroleum.
(1955 to 1980) and GDP, 1970-1980.

Year	Price per barrel (US\$)	GDP (in T&T\$ millions)
1955	1.930	
1960	1.858	
1965	1.800	
1970	1.800	1,630.9
1971	2.149	1,796.3
1972	2.463	2,039.4
1973	3.293	2,554.7
1974	11.584	4,101.5
1975	11.532	5,496.7
1976	11.51	6,502.3
1977	12.40	8,552.2
1978	12.70	9,501.6
1979 (a)	22.20	11,499.7
1980 (b)	31.33	14,081.9

[(a) and (b) figures represent the highest level
prices reached that year].

THE SUBJECTIVE SITUATION : The Leadership Component.

The constraints deriving from Trinidad's size and dependency and the desire to overcome these constraints were the dominant themes that surfaced repeatedly in the expressed attitudes of the PNM leadership. We have already noted the objective constraints deriving from the island's

(1) Sources: Evolution of petroleum prices obtained from ECONOMIC SURVEY, 1982, p.612. GDP figures obtained from Sandoval, J.M. 1983, "State Capitalism in a Petroleum Based Economy: The Case of Trinidad and Tobago." in Cohen and Ambursely, (eds) CRISIS IN THE CARIBBEAN, p256.

size and dependency. Subjectively, this was manifest in the preoccupation of Trinidadian policy makers with weakness and vulnerability to outside influences.

In a 1963 budget speech for instance, the Trinidadian Finance Minister, A.N.R. Robinson noted that,

" The smaller the domestic market, the more dependent a country becomes on overseas trade, and the more involved in international complications. This means simply that the alternatives available to a very small country are much more limited than those available to a very large country. I think we in Trinidad and Tobago must face the fact that we do not have much choice in the pattern of our industrial development."⁽¹⁾

The development strategy being referred to was essentially designed to cope with the constraints deriving from the absence of a diversified resource-base and the narrowness of the domestic markets - an outward oriented development strategy involving a combination of export promotion and import-substitution industrialization which will be discussed in detail in sub-section three below.

Eric Williams was a nationalist and an intellectual of considerable repute, but his brand of nationalism was pragmatic rather than

(1) Robinson, A.N.R. 1971, THE MECHANICS OF INDEPENDENCE. Cambridge, Mass: MIT Press. p.113.

idealistic.⁽¹⁾ His was an ideological orientation which recognized that given the constraints deriving from the objective situation, the direction of his government's policies should seek to maximise whatever benefits might accrue within the framework of existing structures in the international economy. His brand of economic nationalism therefore, unlike that of Manley, did not attempt to challenge capitalism but rather to develop it. In defining his government's objectives in this regard, Williams observed that the objectives were to find:

"(A) middle way between outright nationalization and the old fashioned capitalist organization backed by the monies and the dollars of the US. That middle way is an active participation between government and major foreign investors in both the formulation and the achievement of the government's development targets and the government's social objectives."⁽²⁾

Similar sentiments were expressed by the finance minister, who was one of the key figures in the formulation of the early development plans. On the eve of the introduction of the second five year plan (to be discussed below) Robinson noted,

"Our aim is a free society in which government and private enterprise work together in partnership to promote the country's development."⁽³⁾

(1) See Bell, W. 1967, THE DEMOCRATIC REVOLUTION IN THE WEST INDIES, esp, chapter two.

(2) Williams, Eric. 1964, "Trinidad and Tobago: International Perspectives." in FREEDOMWAYS Summer, p.333.

(3) Robinson, A.N.R. Op.Cit., p.113.

This meant the government would offer,

"Special incentives to investors principally in the fields of industry, hotel development, housing and agriculture and will continue to offer them a warm welcome so long as they are prepared to abide by the country's labour policies and its laws."⁽¹⁾

The role conception and enactment of the PNM leadership could therefore be considered to have been one of mediation between the interests of foreign and domestic capital. This was also reflected in the groups with which Williams most closely identified - the business elite - whose interests he was determined to protect. Thus the passage of the Industrial Stabilization Act in 1965 (which declared strikes illegal); the withdrawal of the Finance Act of 1966(which would have increased taxes on foreign investment) and the purge of those elements within the PNM, including the Finance Minister, whose views were deemed to be incompatible with those of business, must be seen in this light.⁽²⁾

In his style of leadership, Williams was autocratic, a tendency strengthened during his 25 years as Prime Minister and the absence of any real opposition to the PNM. Moreover, Williams was by virtue of his intellectual qualities, able to dominate his cabinet in foreign policy

(1) Robinson, *Op.Cit.*, p.114.

(2) A fuller discussion of these is presented in sub-section three below under an analysis of the strategy.

making and indeed periodically held the portfolio of external affairs minister simultaneously with the Prime Minister's portfolio.⁽¹⁾ These factors contributed to creating the situation in which Williams clearly dominated the Trinidadian political scene in a way Manley never dominated the Jamaican political scene. This allowed Williams to consolidate his position and that of his party into a virtual one-party regime, enjoying the support of both the local and foreign capitalists.

3: The Foreign Economic Strategy: 1971-1974.

The principal direction of the foreign economic strategy adopted by the PNM government was to facilitate the development of the oil industry by the establishment of joint ventures with foreign private multinational capital with active participation of local investors. The strategy was largely exploitative, and was designed to take advantage of the opportunities for development made available by the dramatic changes occurring in the international economy.

The strategy adopted during this period (1971-1974), had its roots in the first five-year development plan drawn up by the PNM in 1958. In

(1) Ince, Basil, 1976. "The Administration of Foreign Affairs" pp.310-311.

order to obtain a clearer picture of the strategy therefore, the primary features of the three development plans drawn up by the the Williams government from 1958 to 1970 will be examined.

The first five-year development plan (1958-1962), the 'Peoples Charter for Economic and Social Development'⁽¹⁾ was the first comprehensive programme drawn up by the PNM. It contained the seeds of the strategy that was later to be followed - a blend of economic nationalism which, unlike the Jamaican variety, did not attempt to challenge private capital, but rather to develop it. The first five-year plan was directed at modifying the colonial economic structure in which oil and sugar dominated, through the creation of export-oriented industries with the state acting as a mediator, providing the facilities and the incentives to foreign investors for their establishment.⁽²⁾ It was during this period that the Trinidadian economy was experiencing rapid growth of around 8% (GDP) per annum. As a reflection of this growth (mainly due to the increase in oil export receipts) the government was able to mobilize resources amounting to US\$ 218 million to furnish the necessary infrastructural development.⁽³⁾ In addition, legislation was passed in which

(1) Sandoval, J.M. 1983, Op.Cit., p.254.

(2) ibid. p.254

(3) ibid. p.254.

the role of the state *vis-a-vis* foreign capital was clearly defined and the structure of incentives created were formalized. Furthermore, the state's presence in the economy was institutionalized through the creation of the Industrial Development Corporation (IDC).⁽¹⁾

As early as 1958 therefore the foundation was laid of what was later to be established as the essence of the approach to development of the the Williams government, *viz*, the institutionalized presence of the state as a mechanism regulating economic resources in favour of private enterprise - both foreign and local.

For the duration of the first five year development plan, the foreign economic strategy was one of import substitution combined with export promotion. Import substitution implied the establishment of industries to manufacture and market locally commodities that were normally imported, and thus to develop local manufacturing. This was mainly in the manufacture of light industrial goods - clothing, food processing and the production of chemicals. Export promotion implied the establishment of enterprises the products of which were geared mainly for export. However as Sandoval (1983) notes, this strategy never really got off the ground during this period. The few import substitution industries that

(1) Sandoval, Op.Cit., p.254.

had been established could not adequately supply the local market, and the export-oriented industries were centered in enclaved establishments totally under the control of foreign capital.⁽¹⁾

By the time of the introduction of the second five year plan in 1964, the economic situation had taken a turn for the worse, reflecting the slump in the world market price for oil during that period (see table 3.7 above). Oil production and revenues declined and there was a consequent slowing of economic growth. Faced with declining oil revenues, the government financed the second five-year development plan through foreign loans and grants.⁽²⁾ The downward trend in the economy continued and this caused unrest among the labour unions. The reaction of the government clarified its ideological orientation, i.e, that of serving as a supporting institution for private capital. The Industrial stabilization Act which we have already noted, was passed, making strikes virtually illegal and effectively curbing the powers of the labour unions. This action of the PNM was wholly in keeping with its role of mediating the interests of private capital.

The major features of the second five year plan were the consolidation of the position of the state in the economy. Public utilities, which were

(1) Sandoval, Op.Cit. p.255.

(2) Parris, Carl, "Size or Class" Op.Cit. pp.307-251. See also Ince, Basil Op.Cit. pp.307-335.

all foreign owned – the electricity, water, port services and public transit facilities – came under the direct control of the state through the creation of the Public Utilities Commission.⁽¹⁾ Of noteworthy importance was the introduction of the Finance Act of 1966 which was designed to modify the internal and external tax structure to regulate the international flow of capital.⁽²⁾ The main provisions of this act was a reform of the tax on investment and loan capital with the objectives of increasing revenues accruing from the above and on the remission of profits by foreign investors.⁽³⁾

As Parris notes, the introduction of the Finance Bill was more than a little obscure, especially in the light of the government's expressed intention of attracting foreign investment, since the bill provoked a confrontation with the business elite.⁽⁴⁾ Among the latter, the foreign interests were naturally apprehensive of the possible impact of the bill on their profit levels, and among the local interests the concern was with the reduction in future foreign investment (on which they depended) the

(1) Sandoval, Op.Cit., p.255.

(2) Robinson, A.N.R, THE MECHANICS OF INDEPENDENCE. Op.Cit., p.60.

(3) Robinson, ibid, p.60.

(4) Parris offers the explanation that the introduction of the bill was an attempt by the government to appease organized labour in the light of the labour unrest. See Parris, Carl, Op.Cit., p.254.

act might provoke. Thus following stiff opposition from the local business elite, foreign interests and the banks, the government considerably modified the bill deleting those portions which the private sector deemed to be harmful to their interests.⁽¹⁾ The defeat of the bill and its eventual withdrawal was a clear example of the kinds of constraints limiting the range of options available to policy makers of a state in a dependent position in the international economy. During the months of uncertainty between the introduction of the draft bill and its final turn-down, there had been a well orchestrated flight of capital. Immediately after the passing of the modified version, the government secured the support of the private sector and from such international agencies as the World Bank. Williams subsequently purged those elements in his cabinet whose views were deemed to be incompatible with fostering private enterprise. The finance minister, who had introduced the bill in the first place, was removed from office.

By the time of the introduction of the third five year plan (1969-1973), the original foreign economic strategy of export-oriented industrialization combined with import substitution was stalling. This was a reflection of the constraints deriving from Trinidad's dependent

(1) Robinson, Op.Cit., pp.94-96.

position in the international economy and the limited capabilities arising from its small size. In the first place, because of the narrow resource base, the resources necessary for injecting new dynamism into the import substitution and export promotion industries were not readily available. The success of import substitution industrialization depends to a large degree on the availability of an accessible market for manufactured goods which the country did not possess; the success of export-promotion in turn depends on the location of the country with respect to industrialized centers, transport and communication facilities and so forth. Secondly, because of the expanded role of the government in the social and economic infrastructure, public expenditures reached alarming heights.⁽¹⁾

In an effort to minimise some of the constraints deriving from its small size and to reap the benefits of economies of scale, Trinidad, like Jamaica, was active in the establishment of the CARIFTA and the CARICOM, which, as noted in the discussion on Jamaica, were organizations created to promote trade and economic integration at the regional level in the Caribbean. Trinidad's objectives in this regard were to expand the market for its manufactured products. The foreign economic strategy thus underwent a modification that made import-substitution at

(1) Sandoval, Op.Cit., p.256.

the regional level the preferred approach.⁽¹⁾

By mid-1973, the Trinidadian economy had taken a turn for the worse. The combination of an influx of foreign investment, greater state participation in the economy and declining oil revenues, escalated the foreign and internal debt situation. It was at this juncture that an event occurred that immediately alleviated an economic crisis for Trinidad. This event was the 1973 middle east crises and the subsequent actions of the OPEC.

4: The Foreign Economic Strategy: 1974-1980.

The principal effect of the rise in oil prices was a boom for the economies of oil exporting countries. The boom immediately opened up development opportunities that would otherwise not have been available.

The immediate effect of the oil boom was a dramatic improvement in the terms of trade (purchasing power of exports rose by over 27%), producing large surpluses on the BOP and a dramatic increase in the country's international reserves (see table 3.8 below). The increased revenues were used by the government to finance development projects. The revenues generated were reflected in the dramatic increase in the island's GDP (see table 3.7 above).

(1) Sandoval, Op.Cit, p.256.

Table 3.8⁽¹⁾

Trinidad and Tobago: Purchasing power of exports
and international reserves

	(1970 = 100)					
	1975	1976	1977	1978	1979	1980
Purchasing power of exports	214.8	220.6	229.7	225.1	243.3	286.0
International reserves	1,017.6	1,314.7	179.0	1,993.0	2,185.3	2,416.7

From 1974 to 1980 therefore, the economic strategy of the Williams government had two major objectives: 1) To capture the lions share of the oil bonanza; and 2) to transform the increased petroleum revenues into remunerative productive capacity.⁽²⁾

In line with the first objective, the government reformed the tax structure to take advantage of the fortuitous rise in income generated in the petroleum sector via greater taxation of the foreign-based corporations. This included the imposition of a production levy, increased production royalties, and an increase in the income tax rate for the corporations. It also created a petroleum price reference system, in which tax was levied according to a price established by the government.⁽³⁾ As a result of the increase in petroleum prices, government revenues tripled between 1974 and 1975.

(1) Source: ECONOMIC SURVEY, 1982, p.613

(2) ECONOMIC SURVEY, 1982, p.622

(3) ibid, p.623

In line with the second objective, the government focused on implementing the strategy of import-substitution at the regional level, combined with export promotion. The strategy envisaged the active participation of the state in conjunction with foreign capital, in energy-related, high technology areas, such as steel production, petro-chemicals, and liquefied natural gas.⁽¹⁾ The revenues generated enabled the government to enter into joint-ventures with the multinationals in the oil and natural gas industries, and to establish autonomous enterprises of its own. This involved the formation of a core of industrial plants whose output either derived from the crude energy sources, or required large inputs of energy in the productive process. Over the course of the 1974-1980 period, the government set aside US\$ 3.3 billion from oil revenues for the purpose of financing these projects.

Table 3.9⁽²⁾

Trinidad and Tobago: Principal developments in manufacturing

Project	<u>Initiation of:</u>		Expected date of full production
	Construction	Production	
1: Ammonia	1975	1977	1980
2: Iron and steel	1977	1981	1984
3: Petrochemicals	1980	1982	1982
4: Cement	1980	1981	1981

(1) Graham and Edwards, 1984, p. 110

(2) ECONOMIC SURVEY, 1982, p. 608

At the regional level, in line with its objectives of expanding markets for its products, the government launched an aid programme that benefitted a number of Caribbean countries including Jamaica (Jamaica was the beneficiary of a \$55 million loan in 1976). Trinidad had by this time emerged as a regional metropole, and as such had to play a major role in the drive towards greater regional cooperation. In addition to the aid programme, the government also instituted a petroleum loan facility for neighbouring Caribbean states which was used in lightening the external payments burden for those countries.⁽¹⁾

Between 1974 and 1980 therefore, the steep rises in the world price for petroleum transformed Trinidad's relatively modest reserves of petroleum into a major economic asset, minimising some of the constraints of the country's situation and opening up development opportunities that were exploited.

5: Conclusion: The "Economics of Abundance ?"

The rapid growth of the Trinidadian economy during the 1970's and especially after 1974, is ample indication that the foreign economic strategy adopted by the Williams government brought economic gains. The GDP for instance expanded at an average of 6.7% in real terms between

(1) ECONOMIC SURVEY, P.618.

1974 and 1979. The strategy was essentially an exploitative response to the opportunities for development afforded by the oil price increases and involved the creation of import substitution and export-promotion industries with the state intervening in diverse areas as a partner to foreign private capital and as a mediator to foreign and domestic interests, a development model that has been termed 'state capitalism' or 'national corporatism' by some analysts.⁽¹⁾ This was a blend of moderate economic nationalism, which unlike Manley's variety, did not attempt to challenge private enterprise, but rather to develop it.

That the strategy brought economic gains to Trinidad is beyond dispute as the GDP growth figures in table 3.7 above indicate. At least in the short-term (1971-1981) therefore, the strategy could be said to have been adaptive. This economic growth however was not without some negative side effects among them being the decline in agricultural production. Moreover the question of whether growth fuelled by the expansion of the oil sector is likely to be self-sustaining, must be asked. We noted the external orientation of the Trinidadian economy in which growth became a reflection, not of internal factors, but of external factors. Thus although the Williams government attempted to transform

(1) See Sandoval, Op.Cit., p.247 and Parris, Carl, Op.Cit., p.251.

the productive capacity of the island in an effort to generate self-sustaining growth and laid the foundations of an industrial base with the creation of the industrial park at Point Lisas, the fortunes of the economy remain tied to the expansion and contraction in the international market for oil. Indeed in recent years, the decline in the international price for petroleum has been reflected in a decline in the economic performance of Trinidad. Between 1981 and 1983, when petroleum prices stabilized and then declined sharply, the impact on the economic growth of the island was considerable. The growth in the GDP during this period averaged only 0.9% in real terms.⁽¹⁾ It could therefore be argued that impressive economic growth figures notwithstanding, the strategy did not fundamentally transform the structural bases of the Trinidadian economy and that the growth figures merely reflect the effects of a fortuitious circumstance - the oil boom. However, since we elected to restrict our analysis to the impact of the strategy on the short-term development of Trinidad (i.e, 1971 to 1981) and to an analysis of the performance of the economy during that period, the impressive economic growth and the resultant diminishing of the impact of the resource gap (which had earlier been pronounced), indicate that the foreign economic strategy of the Williams government was adaptive. It was a strategy made viable through

(1) STATISTICAL SURVEY, p.528. Average calculated by author.

the combination of a fortuitous circumstance; a confluence of the interests of elites which enabled the government to achieve a relative balance between foreign and domestic interests; and accurate perception on the part of policy makers who clarified objectives in a succession of long-term development plans. These factors enabled policy makers minimise some of the constraints of dependency and exploit the available opportunities. The evolution of the Trinidadian economy after 1974 therefore, could be described as 'the economics of abundance.'

* * * * *

The next section (Part Four), is the conclusion to the study, and summarizes our observations and findings, and brings out in greater detail the comparison.

PART FOUR
THE FINDINGS AND THE
CONCLUSION

This section of the study concludes our analysis by summarizing the observations and findings of Part Three and discusses in greater detail the patterns of similarity and dissimilarity. In this section also, an attempt is made to assess the usefulness of the framework in the light of the considerations that were raised in Part One.

Part Two is divided into two sections. Section one discusses the patterns of similarity and the differences in the situations and foreign economic strategies of Jamaica and Trinidad. Section two is the conclusion to the study.

SECTION ONE

JAMAICA AND TRINIDAD: THE PATTERNS OF SIMILARITY AND DISSIMILARITY

1: Introduction:

In the course of our analysis of the situations and the foreign economic strategies of Jamaica and Trinidad in Part Three, brief references were made to some of the similarities and differences in their respective situations and strategies. With respect to situations for instance, it was noted that both states were highly dependent in their reliance on foreign private capital inflows for investment - over 30% of domestic capital formation in both cases. With respect to strategies, we noted for instance that although the governments in both states played an active regulatory and participatory role in the economy, the difference lay in the direction of government intervention. The Trinidadian variety was directed at promoting private enterprise, through the provision of infrastructural amenities (e.g, the creation of the industrial park at Point Lisas) with the state acting as a partner to foreign capital. The Jamaican variety on the other hand was directed at supplanting private capital through an expanded presence of the public sector in the economy. These and other patterns of

similarity and dissimilarity are expanded and highlighted in this section, utilising the criteria developed in Part Two.

The objectives of the analysis in this section therefore, are:

- 1: To bring out in greater detail the comparison of the situations and strategies; and
- 2: to indicate the extent to which the findings support or dispute our hypotheses.

The analysis in this section is organised and presented in three stages. The first step briefly recapitulates the framework and the criteria for comparison. The second and third steps compare the independent variables (the components of the situation), and the dependent variables (the foreign economic strategies). Since foreign economic strategy is an adaptive response to the constraints and opportunities provided by a situation, the thrust of the analysis is directed at comparatively evaluating the relative severity of the constraints on, and the availability of opportunities for either state. In the light of our hypotheses, it is anticipated that the similarities and dissimilarities in the foreign economic strategies of Jamaica and Trinidad will be a reflection of the similarities and differences in the constraints and opportunities of their respective situations.

2: Recapitulation of the Framework.

The Approach:

Foreign economic strategy is an adaptive response to the constraints and opportunities provided by the situation of dependence/underdevelopment. The situation comprises external and internal, objective and subjective components. The components are: 1) the External situation, which comprises changes in the patterns of dependent relationships occurring between a state and other actors in the international economy. The changes in these relationships are reflected in changes in the performance of the state's essential structures. 2) The essential structures of a state, the physical and economic and the political and social structures, comprise the societal component of the internal situation. The changes in the performance of these structures is a reflection of the changes in the external situation. Foreign policy action therefore, is directed at controlling the effects of the external situation on the essential structures.

The societal component of the internal situation together with the external situation comprise the *objective situation* and provide the environment of constraints and opportunities within which foreign policy makers act. Foreign policy action is thus a reflection of the subjective

integration policy makers have fashioned of the objective situation. This is the leadership component of the internal situation, or the *subjective situation*, and it comprises the role conception and enactment of policy makers as reflected in their values, attitudes, leadership style, etc.

The Criteria for Comparison:

The Independent Variables: The situations of either state are similar (or dissimilar) only in respect of the variation of particular variable indicators which were elaborated in Part Two.

The Dependent Variables: The strategies of either state are similar only to the extent that they share specific features in common. As noted in Part Two, a state may adopt a strategy possessing the features of either the exploitative or the radical (or of both) reflecting the variations in the situational components.

3: The Situations Compared. (See tables on pages 228-236)

The Objective Situation.

The EXTERNAL SITUATION. (Table One)

1: Patterns and direction of trade: Both Jamaica and Trinidad were mainly exporters of primary commodities although a considerable portion of their exports included processed and semi-manufactured goods. Jamaica's main

traditional exports were alumina, bauxite and sugar which together accounted for 75.8% of the value of exports in 1970 and 81.7% in 1980 (see table one). Other exports, which as a group accounted for 24% of export value in 1970 and 18.3% in 1980, included processed and manufactured items such as bevarages and tobacco, alchoholic beverages and chemicals. Similarly, Trinidad's main traditional exports, petroleum products (processed crude oil products such as asphalt, motor gasoline, kerosene, etc), crude petroleum and sugar, together accounted for over 70% of exports in 1970 and over 90% in 1980. Thus the commodity concentration ratio which expresses the degree of export specialization (the value as distinct from the volume of two or three most important commodities in a country's exports as a percentage of the total current value of merchandise exports), was similarly high for both countries: 81.7% for Jamaica (1980) and 92.9% Trinidad (1980). Both countries were therefore highly dependent on a narrow range of commodities for their export trade.

The external orientation of the economies of Jamaica and Trinidad was reflected in the high ratio of foreign trade to GDP. This created the situation in which both states were dependent on trade and extremely vulnerable to price fluctuations in the international economy. However, petroleum as a commodity, had a certain leverage in international markets

that other primary commodities did not have (although in recent years petroleum has proven to be just as susceptible to price fluctuations). Thus after 1973, whereas exporters of petroleum, Trinidad included, were afforded a bonanza by the oil price increases, non-oil exporters like Jamaica, saw a marked decline in their terms of trade and a decline in the purchasing power of their exports.

Thus although Trinidad and Jamaica were in relatively similar positions in respect of being primary raw material exporters with relatively high CC ratios, the difference lay in the kind of commodity exported. This became manifest in the fact that while Jamaica was experiencing deteriorating terms of trade and persistent deficits on its balance of payments, Trinidad was enjoying huge surpluses.

Another pattern of similarity is expressed in table one. This relates to the destination of exports and the origin of imports. Both countries were similarly dependent on the US not only as a destination for exports (33% for Jamaica and 59% for Trinidad in 1980) but also for the supply of imports (35% for Jamaica and 26% for Trinidad 1980). As is typical of UDCs which were former colonies, trade for Jamaica and Trinidad was mainly with metropolitan centers, with relatively little trade with other UDC's. In recent years however, regional trade within the Caribbean has

been on the increase. This has been especially so in the area of import-substitution at the regional level, particularly in agricultural commodities and light manufactured goods. For instance, 20% of Jamaica's foreign trade in 1983 was with other CARICOM members.

2: Patterns of relations in international finance: In late 1973, the OPEC unilaterally augmented petroleum prices by a factor 3.5. The impact of this action was a mixed blessing for states, depending on whether they were oil producers or not. Jamaica, being an oil-importer, was hard-hit. between 1972 and 1980 it persistently run a deficit on its BOP, and its external debt multiplied considerably from \$ 210 million in 1972 to \$1.6 billion in 1980. Simultaneously, Jamaica's gross international reserves plunged by 4/5ths between the same period and by the end of 1980, the country had liquid reserves enough to cover only one week's imports. Thus by 1980 and especially after 1976 when the first foreign exchange crunch hit the economy, Jamaica was a net-debtor country with external debt obligations persistently exceeding its international reserves. The extent of the burden of this debt for Jamaica was considerable: Expressed as a ratio of GDP, it amounted to 55.3% of GDP in 1980.

In Trinidad on the other hand, although its external debt increased in absolute terms from \$103 million in 1975 to \$ 434 million in 1980 (an

increase of 16%), the fact that its gross international reserves increased from \$751 million in 1975 to \$ 2.7 billion in 1980 (an increase of over 30%) meant that its external debt had actually decreased in relative terms. Thus Trinidad's position, unlike that of Jamaica, was that of a net-creditor or capital-surplus economy, with international reserves exceeding its debt obligations by over \$2 billion in 1980. Moreover the extent of the burden of this debt remained low, the debt/GDP ratio in 1980 for instance was only 15.6 %.

As noted earlier, a country's ability to cope with its debt service payments and consequently the extent to which they constitute a burden depends on the rate of growth of its export earnings. In the case of Jamaica, we noted that not only did its export prices rise at a slower rate than the price of its imports, but production of its major export earner (bauxite) declined. Thus the ability of the Jamaican economy to generate enough productive income to cope with its debt service payments was undermined, and its obligations continued to mount without a corresponding and proportionate increase in its domestic product (the GDP actually declined throughout the 1970's). This situation was made worse after 1976 when foreign commercial banks, in what was both a reaction to Jamaica's economic crisis and a factor that severely aggravated it, ceased all lending to Jamaica. Over the course of the next

four years, their principal aim was the repatriation of their investments in the country.

Thus as far as patterns of relations in international finance were concerned, the differences between the two countries were pronounced. In short, Trinidad on the one hand was a net-creditor country, enjoying BOP surpluses; Jamaica was a net-debtor country with an enormous burden.

3: Patterns of relations with private multinational capital: Jamaica and Trinidad were similarly dependent on foreign private capital inflows for the expansion of trade and productive capacity. Between 1950 and the early 1970s, foreign investment inflows into Jamaica financed over 32% of total investment which corresponded to over 30% of GDP. This was concentrated in the bauxite industry, the development of which was responsible for the 6.5% annual growth rate in the Jamaican economy during this period. In effect, investment by multinationals in the mining and bauxite sectors was largely responsible for economic growth in Jamaica during the early period. The decision of the aluminum firms to cut production therefore, was a heavy blow to the Jamaican economy. Output of the sector plunged 21% in 1975 and '76 and the GDP registered a corresponding drop of 6%. Thus as indicated in table one, after 1975, there was a net outflow of investment capital from Jamaica as the aluminum

firms transferred resources from Jamaica to other producing centers.

In the case of Trinidad on the other hand, the net inflow of foreign capital increased, due largely to the increased activity of the petroleum firms in the development of the island's oil resources. The PNMs favourable attitude towards multinational capital was a contributory factor. The influx of foreign technology and capital together with the favourable international price for petroleum, were reflected in the impressive growth in the island's economy and the surpluses on its balance of payments.

Thus as far as patterns of relations with private multinational capital were concerned, the similarities between the two countries were pronounced prior to the 1970's. After 1972 however, the differences became more pronounced with Jamaica recording a net outflow, and Trinidad a net inflow.

THE INTERNAL SITUATION: The objective societal component.

The Physical and Economic Structure. (See Table two)

Jamaica and Trinidad were located in the same geographic region and were similarly small in terms of both physical and material size. This was reflected in the absence of a diversified resource-base in both instances

as evidenced in the disproportionate share of bauxite and alumina, and petroleum and mineral fuels in the economies of Jamaica and Trinidad respectively. Other resource-based sectors such as in agriculture (sugar, bananas, spices etc) timber and forestry, were displaced and eclipsed by the mineral sectors. This created the situation in which the whole economy was dominated by, and revolved around those particular resources. Another contributory factor in this regard was the legacy of the colonial economy, which was geared towards the production of cash-crops for export and the import of manufactures from the metropolitan centers with little encouragement given to the development of local manufacturing. Furthermore, the small physical size (geographic area and population) in both instances contributed to restrict the domestic markets and to make difficult the achievement of economies of scale.

Another pattern of similarity was the almost complete lack of domestic inter-sectoral transaction in the economies of both Jamaica and Trinidad. Industrial development in both instances assumed the form of dependent development which had the effect of creating 'branch-plant' economies. This was a reflection of the reliance on foreign capital and technology inflows for the development of industries and the absence of a well-developed intermediate sector, based on local technology and

entrepreneurship which would have strengthened internal linkages. The economies of both countries were therefore highly enclaved with most transactions in their productive sectors being with the outside world. The impact of the tourist sector especially in the case of Jamaica, was another contributory factor. As noted, the tourist industry was overwhelmingly externally-oriented and the consumption patterns generated by the sector necessitated the importation of consumer items not produced locally.

It is noteworthy that recent economic trends in Jamaica indicate a greater amount of diversification in the Jamaican economy. The emphasis of the Seaga government, as part of its strategy of structural adjustment, has been on promoting the development of light manufacturing industries (food processing, manufacture of clothing, etc). In 1983, manufacturing activities accounted for 16% of GDP. In Trinidad on the other hand, manufacturing activities in 1983 accounted for only 7% of GDP, reflecting the continuing domination of the petroleum sector in the economy.

The external orientation of Jamaica and Trinidad was typical of dependent and underdeveloped countries. Lacking the capacity for self-sustaining growth, expansion and contraction in their economies became a reflection not of internal factors but of expansion or contraction

in the international economy. Their economies grew in times of international economic expansion (1950s and early 1960s) and contracted in times of international economic recession (late 1960s and early 1970s). Trinidad however was fortunate in having a resource like oil: the oil revolution and the international recession it precipitated which was largely responsible for the rapid contraction of the Jamaican economy after 1973, was responsible for the rapid growth of the Trinidadian economy. Thus as table two indicates, after 1974, the GDP of Jamaica declined by 16% in real terms while that of Trinidad grew by 6.7% between 1974 and 1980 in real terms.

With respect to employment, the rate of unemployment remained high in both countries. In Jamaica throughout the 1970's the rate remained consistently above 20% of the work force. In Trinidad, although the rate remained relatively high, the government was able to reduce the rate somewhat from 15.0% in 1975 to 11.0% in 1980. The high unemployment figures in both instances was a reflection of the capital intensive nature of the industries in their productive sectors.

The Political and Social Structure. (Table Three)

Jamaica and Trinidad were both open parliamentary democracies with institutions and practices inherited from Gt. Britain. As noted in Part

Two, the importance of this variable for the policy making process in UDCs relates to the fact that the existence of a relatively 'open' polity with a competitive party system, (which implies that governments are accountable and changeable), makes governments in such systems susceptible to the changing demands of the population. Given the existence of the resource gap, these demands, which are often short-term and partisan, may conflict with the broader long-term objectives of undertaking structural adjustments in the economy.

It is in this regard that the existence of an established competitive and alternating two-party system in Jamaica found Manley responding to populist demands and pressures. This was reflected in the considerable vacillation and the apparent lack of direction that characterized Manley's strategy, especially after 1976. In Trinidad on the other hand, the fact that Williams was successful in consolidating his position and that of his party into the single dominant party within the framework of the parliamentary democracy plus the absence of any real opposition to the PNM, enabled him minimise the susceptibility of his government to the changing demands of the population. This was reflected in the continuity of his policies.

In Jamaica, political power was defined along racial and class lines. Although the population was predominantly black (95%), economic and

political power was in the hands of the fairer-skinned minority, with the vast majority of the black population economically and politically peripheral. There was therefore a close correlation between race and class status. In Trinidad on the other hand, although party support was polarized between roughly equal proportions of Negroes and East Indians (40.8% to 40.7%) with the PNM led and deriving most of its support from the Negro segment, the fact that political power was in the hands of the black segment while a considerable amount of economic power was in the hands of the East-Indian segment, created a rough balance. Thus although the relative homogeneity was higher for Jamaica than for Trinidad (95% to 44%), the level of racial and ethnic conflict was considerably lower in the latter than in the former. This was also a reflection of the widening impact of the resource gap in Jamaica as against its diminishing impact in Trinidad (in turn a reflection of the differences in their economic performance).

The bases of party support in both systems were similar. Both the PNP in Jamaica and the PNM in Trinidad were elite-based parties which relied on clientelism and co-optation to enlist the support of the lower classes. In Trinidad however, the importance of clientelism declined as the consensus among the elite, both within the party and outside of it, was

relatively high. This was a reflection of the dominance of the PNM and the compatibility of its ideological position with that of the elite in business. In Jamaica on the other hand, there was a relatively high level of conflict among competing elites, and this was a reflection of the incompatibility of their interests with that of Manley's ideological position. Furthermore as noted in Part Two, the impact of a widening resource-gap is reflected in an intensification of conflict among the elite, as competing elites, fearful for the loss of their status and privileges, challenge the position of those in power. Thus it was that the PNP regime became increasingly less stable amid reports of attempted coup d'etats and the destabilization tactics of the JLP. In Trinidad on the other hand, no serious opposition to the PNM emerged and as a consequence the level of stability of the Williams regime was comparatively higher.

The Subjective Situation. The leadership component.(Table four)

Manley and Williams differed with respect to leadership style and disposition. Manley's on the one hand, was one of idealism and opportunism and Williams in comparison, was autocratic and pragmatic. With respect to goal definition and value reconciliation, Manley's position appeared to be vague. Manley, it is being argued, simultaneously sought rapid

economic growth *and* national autonomy, failing to appreciate that given the constraints deriving from Jamaica's objective situation, the one could only be achieved by sacrificing a certain amount of the other. Moreover, the competitive party structure of Jamaica and the high level of elite conflict, compelled Manley to respond to populist demands and this may have been a contributory factor in his apparent vacillation.

Williams' goal definition was in comparison, clear. The choice between rapid economic growth and national autonomy appeared to have been resolved in favour of the former. This was reflected in his ideological position which has been termed one of 'national corporatism'. Moreover, his autocratic style, coupled with the absence of any real opposition to the dominant PNM, ensured a considerable amount of continuity.

From his publicly expressed attitudes and opinions contained in published works and interviews, Manley revealed a deep resentment of the dependency of the Jamaican economy. We therefore conclude that his attitude towards the objective situation was negative. His role conception and enactment, and hence his foreign policy preference, was to reform the patterns of relations with the international economy and thereby improve the performance of the essential structures.

Williams' publicly expressed attitudes revealed not so much a

resentment of the relations of dependency, but rather a preoccupation with the constraints on the Trinidadian economy deriving from its small size, and a recognition that given these constraints, the alternatives to development were limited. Thus Williams it appeared, was prepared to sacrifice a certain amount of national autonomy in order to achieve rapid economic growth. His role conception and enactment and hence his foreign policy preference is considered to have been mediatory: One that sought to mediate foreign and domestic interests to maximise his country's benefits within the structure of the existing international economy.

The above analysis has brought out in greater detail the patterns of similarity and dissimilarity in the situations of Jamaica and Trinidad. These patterns are reflected in the similarities and differences in their foreign economic strategies which are discussed below.

4: The Strategies Compared.

The following patterns of similarity and dissimilarity emerge in the foreign economic strategies of Jamaica and Trinidad.

1: Position of the state in the economy: In both cases, the state played a similar active participatory and regulatory role in the economy, involving

partial and selective nationalization of foreign-owned operations. The governments of both countries acquired 51% ownership of selected foreign operations - petroleum and large-scale energy-based industrial projects in Trinidad, and bauxite mining operations in Jamaica. There was also full nationalization of all public utilities in both states. The difference however, lay in the *direction* of state participation.

The direction of state participation in Trinidad was 'interventionary' in that the PNM government sought to intervene in the economy to regulate the distribution of economic surplus and to mediate the interests of private capital - foreign and local. This was done through the provision of finance for local businesses as well as in infrastructural development. Moreover, in instances where the government did acquire 51% ownership of foreign operations, or established joint-ventures in partnership with foreign capital, responsibility for construction, operation, management and and marketing rested solely with the foreign partner.

The direction of state participation in the Jamaican economy is described as 'expansionary' in contrast to the interventionary state in Trinidad. Manley's socialism was directed at supplanting the hold of private capital over the Jamaican economy by expanding the presence of the public sector in the productive sectors of the economy. This was in

pursuit of the government's objectives of restructuring the relations of production and distribution in the economy, in order to exercise a greater measure of control over productive resources. The stepped-up public expenditure outlay this entailed was one of the contributory factors in the progressive deterioration of the country's external finances. This was due to the fact that a large part of the finance for the PNP's expansionary fiscal programmes, came from external borrowing (mainly from foreign commercial banks which furnished over 70% of the country's loans). Paradoxically however, owing to unfavourable circumstances in the international economy (the oil-price hikes), a large part of the funds obtained were used unproductively: They were diverted to finance the increased import bill. By the middle of the decade, the course of events had placed the public sector in the position in which it was struggling to off-set the decline in private sector output, which was a reflection of the flight of capital, both domestic and foreign.

The similarities and differences in the direction of state participation in the economies of Jamaica and Trinidad, were a reflection of the similarities and differences in their respective situations. Thus the similarity in the fragility of their economies arising from their external orientation and foreign penetration, made it necessary for the state in

both instances to play an active role in regulating the way in which domestic resources were distributed. The differences however, were a reflection, not only of the differences in the attitudes, ideologies and role conceptions of the two leaders, but also of the differences in the relative positions of the two countries in the international economy and in the nature and performance of their structures. Thus in Trinidad, the stronger economy, the existence of a sizeable middle class, the relatively high level of elite consensus, and the increased revenues from the petroleum boom, were among the factors that conditioned the direction of state participation.

In Jamaica on the other hand, the weaker economy, the deteriorating external financial position, the absence of a sizeable middle class (reflecting the large-scale emigration of the middle classes) and the widening impact of the resource-gap, were among the factors that conditioned the expansionary direction of state participation.

Thus as far as the position of the state in the economy was concerned, Jamaica was closer to the radical end of the continuum. With Trinidad, since the direction of state participation was to promote private enterprise, it is considered to have been closer to the exploitative end of the continuum.

2: Direction of economic and fiscal policies: The differences in the direction of economic and fiscal policies were a direct reflection of the differences in the direction of state participation discussed above.

a) Economic Policies: The direction of Jamaica's economic policies was clearly inward-oriented. The priorities of the Manley government were defined in large part by the factors that had prompted the election outcome in 1972. These were the burgeoning unemployment, the deteriorating distribution of income, and the poor quality of social services. These were the priority areas into which the new government intended to channel the greater share of public expenditure. The inward orientation of the government's policies was also a reflection of Manley's desire to seek greater autonomy from the course of events in the international economy. Thus policies adopted were characterized by a relatively high degree of economic nationalism as reflected in the expansionary direction of state participation.

In 1972 for instance, a set of policies known as 'Operation Grow' were introduced, the highlights of which were discussed earlier. The package included measures to address the labour force imbalance, stimulate growth in agriculture, expanded public sector work programmes and expansionary fiscal and monetary policies. The 'Peoples Plan' of 1978,

which was the first comprehensive development plan drawn up by the PNP, likewise envisaged public sector-led development through the Community Enterprise Organizations (CEOs) based on the use of local inputs, coupled with strict import restrictions and stringent foreign exchange control measures. As noted, this eventually starved domestic producers of the necessary inputs.

In Trinidad, the direction of economic policies was outward-oriented. This involved the creation of export-promotion and import-substitution industries, designed to overcome the limitations of the country's domestic markets and to take advantage of its abundant energy sources. Plans for this were drawn up as early as the first five year development plan (1958-62) and in the fourth plan which came in the wake of the oil price hikes, the government undertook to lay the foundation for a heavy industrial sector, involving the creation of a core of industrial plants whose output either derived from the crude energy sources, or required large inputs of energy into the productive process. (see Part Three for a detailed discussion).

Thus as far as the direction of economic policy was concerned, Jamaica's strategy was closer to the radical end of the continuum and Trinidad's was closer to the exploitative.

b) Monetary and fiscal policy: In the case of Trinidad, as early as the second five year plan (1958-62), the structure of incentives to foreign investment were formalized through legislation. These included tax concessions in oil exploration, production and refining, low royalty payments and a low income tax structure. After 1974 however, the tax structure was reformed to permit the government to capture the lions share of the fortuitous rise in income through greater taxation of the foreign-based corporations. Interestingly enough, the new tax structure, which included a production levy and an increase in the income tax rate of the petroleum corporations to 50% in 1975 (see Part Three) did not provoke the kind of adverse reaction from the multinationals as did the imposition of the bauxite levy in Jamaica. On the contrary, the increase in the tax rate not only increased revenues accruing to the government, but augmented investment as well.

In the case of Jamaica on the other hand, the Manley government introduced new fiscal measures in 1974 to increase revenues accruing to the central government, the most important of which was the Bauxite Act. This included the imposition of a production levy (7.5%) and an increase in royalty payments. Unlike the situation in Trinidad, the increase in taxes which this act entailed did elicit an adverse reaction from the

mutinationals, the details of which were discussed in Part Three. Suffice it to say that in the face of declining production, outflow of investment capital and the external payments problems created, Manley was compelled to grant concessions to the corporations (a reduction of 20% in the levy rate in 1979) in return for informal commitments from the corporations to expand production. Thus although both the Jamaican and Trinidadian governments similarly reformed their tax structures to capture the greater share of revenues accruing from foreign investment (and succeeded to a considerable degree) the consequences, from the perspective of the reactions of external interests, for the overall strategy, were markedly dissimilar.

In Jamaica, not only was there opposition from the corporations, but equally damaging for its economy was the opposition from the United States. In Trinidad, the government, as noted, not only managed to increase its revenues but also enjoyed continued good relations of both the corporations and the United States. The reasons for the differences are not far to seek and are directly related to: i) The differences in the direction of state intervention; ii) the ideological position of the governments; and iii) the differences in their relative positions in the international economy.

As far as the first two are concerned, in Jamaica's case, the

combination of a socialist ideology and an expansionary state, challenging the position of private capital, was anathema to the aluminum multinationals and to the USA in which they were based and whose interest the US government was determined to protect. Moreover, the production levy on bauxite was unilaterally imposed by the government when talks with the corporations broke down. Thirdly, the highly vertically integrated nature of the aluminum industry and the existence of alternative sources of bauxite (in Surinam and Guyana for instance) plus the fact that the international market for aluminum, which was controlled by the MNCs, was moving into recession, placed the MNCs in a relatively stronger bargaining position *vis-a-vis* the Jamaican government.

In Trinidad on the other hand, the government's ideological position was basically pro-private enterprise in which the state was to act as an agent for private capital. This was viewed favourably by the large corporations (and by the USA). Moreover, the reform of the tax structure was conducted with the full cooperation of the firms. Equally importantly was the leverage petroleum had in international markets. Thus although Trinidad was not a member of the OPEC, the actions of that organization placed all third world petroleum exporters, irrespective of whether they were members or not, in a relatively stronger position *vis-a-vis* the

petroleum multinationals. Also, Trinidad's low production costs, its proximity to North American markets and the stability and predictability of the Williams regime (as distinct from the turbulence in the Middle East) made continued good relations with the Trinidadian authorities a priority for the MNCs.

It was therefore the combination of the differences in the nature of the international market for the commodities exported, the direction of state participation and intervention, and the regime's ideology, that accounted for the markedly different reactions from external forces to the fiscal and economic policies of the two governments.

From the perspective of the effects of the fiscal and monetary policies, Williams' strategy combined features of both the exploitative and radical strategies (i.e, it not only increased revenues through higher taxes but augmented investment as well). The Jamaican strategy swung from being initially closer to the radical end of the continuum to that of the exploitative. This was a reflection of Manley's retreat in the face of external opposition.

3: Direction of relations with other states in the international economy:

The strategies of both countries emphasised nonalignment and close identification with third world issues. Manley's brand of nonalignment

however, was characterized by a radical posture and militant 'third worldism'. This was a reflection of Manley's role conception and leadership style. As Rothstein (1977) notes a radical posture of nonalignment can become under certain circumstances a means of bolstering prestige damaged on the home front in that,

"The publicity engendered by playing a world role may compensate for domestic failures; at the least it may silence or justify silencing, domestic critics."⁽¹⁾

The circumstances in Jamaica's case were the widening impact of the resource-gap and the social unrest it engendered. However, a radical posture of nonalignment is a successful domestic tactic only to the extent that it achieves external gains. This did not happen in Jamaica. There was a major contradiction reflecting on the one hand, the constraints deriving from the island's dependency and on the other, the failure of Manley to clearly define his goals and to take adequate account of the objective situation. Simultaneously with Manley's radical foreign policy rhetoric, the constraints deriving from Jamaica's peripheral position in the international economy (mounting trade and payments deficits, domestic and external opposition, etc) were drawing the

(1) Rothstein, Robert. 1977. p.252.

island into deepening dependence on Western financial institutions and governments for sustenance. Manley's failure to reconcile values became manifest in the fact that although his expansionary fiscal and monetary policies were directed at enhancing national autonomy, a large part of the finance for these projects came from external borrowing. This actually intensified the country's dependency since a large part of the funds obtained was used unproductively.

Thus after 1976 and especially between 1977 and 1979, the rapidly deteriorating economy and the progressive depletion of the country's foreign exchange reserves, compelled Manley to abandon his radical posture and seek financial sustenance from the very institutions and governments that had earlier been the targets of his rhetoric (the socialist countries had failed to come up with the needed financial assistance). Manley accepted an IMF stand-by arrangement as a precondition for access to the Fund's facilities, involving a programme of fiscal and monetary restraint (wage and budgetary cuts, restrictions on government spending) which was in direct opposition to Manley's expansionary programmes. The economic hardship and social unrest which the IMF induced programme engendered, compelled Manley to break-off negotiations with the fund, make efforts at reintroducing his reforms, and

call an early election only to be booted out of office.

With respect to Trinidad, Williams' brand of nonalignment was moderate and focused on regional inter-American issues and the maintenance of good political relations with Western governments. The oil boom placed the country in the enviable position of a capital-surplus economy and afforded Williams greater flexibility in his dealings with international credit agencies.

Indeed in the first years of the petroleum boom (1974-76) the PNM government elected to move towards the total liquidation of the country's foreign debt. Trinidad's position as a capital-surplus economy enabled the government launch a foreign aid programme that, as noted in Part Two, benefited a number of Caribbean countries, including Jamaica.

Table ONE - The External Situation

Variable Indicator	Jamaica		Trinidad & Tobago	
1. Percentage of Primary Products in Exports	43.3% (1978)	(1)	94.0% (1978)	(1)
2: Main traditional exports (f.o.b in percentages)	<u>1970</u> 38.9 - Alumina- 26.7 - Bauxite- 10.2 - sugar - 24.2 - Other - exports	<u>1980</u> 55.6 20.3 5.8 18.8 (2)	<u>1970</u> 57.2 - Petroleum- products 15.8 - crude oil - 9.1 - Sugar - 25.3 - Other - exports	<u>1980</u> 85.7 57.2 1.0 7.1 (3)
3. Commodity Concentration	81.7% (1980)	(4)	92.9% (1980)	(4)
4: Terms of Trade 1970= 100	1970: 100.0 1975: 134.0 1980: 124.0 (5)		1970: 100.0 1975: 322.8 1980: 559.2 (5)	

Sources:

(1) UN Trade Data System in THE NEW BOOK OF WORLD RANKINGS. 1984, pp. 146-47.

(2) Bank of Jamaica: Report and Statement of Accounts, 1980. and Jamaica, Dept. of Statistics, External Trade, 1979.

(3) Trinidad and Tobago: Central Statistical Office, Quarterly Economic Report * 4, December, 1980

(4) ECONOMIC SURVEY, 1982. p.567 and 614. Ratio calculated by author.

(5) Ibid, p. 615 Trinidad, and 569, Jamaica.

Table ONE: THE EXTERNAL SITUATION - Continued.

Variable Indicator	Jamaica	Trinidad & Tobago
6: Exports: By country of destination	USA -- 33.2 UK-- 18.8 Norway-- 8.1 Canada-- 11.9 Other -- 28.0 [1980] (1)	USA-- 59.87 Netherlands -- 6.1 Italy -- 2.7 UK -- 1.5 Other -- 29.6 [1980] (1)
7: Imports: By country of origin.	USA -- 35.3 Netherlands -- 14.3 Venezuela -- 14.3 Canada -- 6.8 UK -- 7.7 Other -- 24.0 [1980] (1)	USA -- 26.7 Saudi-Arabia -- 30.3 Japan -- 6.6 Canada -- 3.3 Indonesia -- 4.5 Other -- 28.0 [1980] (1)
8: Balance of trade in US\$ millions.	1972= -151.9 1973= -178.3 1974= - 49.2 1975= -207.7 1976= -193.0 1977= 50.1 1978= 66.1 1979= - 20.3 1980= - 19.0 (2)	1975= 374 1976= 318 1977= 319 1978= 190 1979= 48 1980= 130 (2)

Sources:

(1) YEARBOOK ON LATIN AMERICA AND THE CARIBBEAN. 1980, Trinidad p.532, Jamaica, p.393.

(2) ECONOMIC SURVEY, p.598.

Table Two: THE EXTERNAL SITUATION - Continued.

Variable Indicator	Jamaica	Trinidad and Tobago.
9: Balance of payments. (Balance on current account in US\$ millions)	1972= -190.0 1973= -240.3 1974= - 82.9 1975= -287.8 1976= - 306.6 1977= - 73.1 1978= - 97.4 1979= - 153.0 1980= - 213.0 (1)	1975= 285 1976= 208 1977= 164 1978= 123 1979= - 26 1980= 65 (1)
10: Gross international reserves. In US\$ millions.	1972= 160 1973= 127 1974= 190 1975= 126 1976= 32 1977= 48 1978= 59 1979= 63 1980= 105 (2)	1973= 47 1974= 390 1975= 751 1976= 1014 1977= 1482 1978= 1805 1979= 2138 1980= 2780 (2)
11: External public debt. (Public debt plus state-guaranteed private debt, plus use of IMF credit). US\$ millions.	1975= 706 1976= 965 1977= 1,052 1978= 1,236 1979= 1,495 1980= 1,607 (1)	1975= 103 1976= 53 1977= 208 1978= 315 1979= 374 1980= 434 (1)

Sources:

(1) ECONOMIC SURVEY, 1982, p.544 for data on Jamaica, and p.598 for data on Trinidad and Tobago.

(2) ECONOMIC SURVEY, P.571.

Table ONE: THE EXTERNAL SITUATION. - Continued

Variable Indicator	Jamaica		Trinidad and Tobago	
12: External Public	1972=	11.8	1975=	5.4
debt as a percentage	1973=	18.8	1976=	2.5
of Gross domestic	1974=	22.1	1977=	8.9
product. (The	1975=	24.6	1978=	12.5
debt/GDP ratio	1976=	32.3	1979=	14.05
	1977=	38.7	1980=	15.6
	1978=	49.1		
	1979=	62.4		
	1980=	55.3		
		(1)		(2)
13: Net direct	1975=	- 2	1975=	203
foreign	1977=	- 7	1976=	104
investment	1978=	-27	1977=	140
flow. US\$	1979=	- 9	1978=	140
millions.			1979=	130
		(3)		(3)

Sources:

(1) ECONOMIC SURVEY, 1982.

(2) *ibid.*, pp.597-629. Ratio calculated by author.

(3) ECONOMIC SURVEY, 1982, p570 for Jamaica, p.616 for Trinidad.

The Internal Situation (OBJECTIVE COMPONENT)

Table TWO: The Physical and Economic Structure

Variable Indicator	Jamaica		Trinidad & Tobago	
1. Location	Western Hemisphere, Caribbean Region.		Western Hemisphere, Caribbean Region.	
2. Geographic Area	10,900 Sq. Km. (4,411 Sq. Mi.) (1)		5,128 Sq. Km. (1,980 Sq. Mi.) (1)	
3. Population (in millions of inhabitants).	<u>Year</u> <u>Pop'n.</u>	<u>Year</u> <u>Pop'n.</u>	<u>Year</u> <u>Pop'n.</u>	<u>Year</u> <u>Pop'n.</u>
	1975: 2.04	1978: 2.11	1975: 1.1	1978: 1.1
	1976: 2.07	1979: 2.14	1976: 1.1	1979: 1.1
	1977: 2.09	1980: 2.17	1977: 1.1	1980: 1.2
	(2)		(2)	
4. G.D.P. (Gross Domestic Product) in U.S. \$ Millions. at 1970 prices	<u>Year</u> <u>G.D.P.</u>	<u>Year</u> <u>G.D.P.</u>	<u>Year</u> <u>G.D.P.</u>	<u>Year</u> <u>G.D.P.</u>
	1972: 1,447	1977: 1,298	1975: 792	1979: 1,109
	1973: 1,463	1978: 1,294	1976: 875	1980: 1,156
	1974: 1,406	1979: 1,237	1977: 966	
	1975: 1,384	1980: 1,194	1978: 1,050	
	1976: 1,298			
	(3)		(3)	
5. G.D.P. per capita (in U. S. \$ at 1970 Prices).	<u>Year</u> <u>GDP/pc</u>	<u>Year</u> <u>GDP/pc</u>	<u>Year</u> <u>GDP/pc</u>	<u>Year</u> <u>GDP/pc</u>
	1975: 678	1978: 613	1975: 731	1978: 926
	1976: 627	1979: 578	1976: 797	1979: 965
	1977: 621	1980: 550	1977: 867	1980: 994
	(4)		(4)	

Sources:

(1) Graham and Edwards, p.83 for Jamaica, p.109 for Trinidad.

(2), (3), and (4): ECONOMIC SURVEY, p.544 for Jamaica, p.598 for Trinidad.

THE INTERNAL SITUATION (OBJECTIVE COMPONENT)

Table TWO : The Physical and Economic Structure - Continued.

Variable Indicator	Jamaica		Trinidad and Tobago	
6: Average annual growth rate of real GDP per capita.	- 16.0 (1974-1980) (1)		4.5 (1974-1979) (1)	
7: Unemployment rate. (Percentages)	1972: 23.2 1973: 21.9 1974: 21.2 1975: 20.5	1976: 22.4 1977: 24.2 1978: 24.5 1979: 27.8 1980: 29.5 (2)	1975: 15.0 1976: N/A 1977: 14.1	1978: 12.8 1979: 11.8 1980: 11.0 (2)
8: Debt/GDP ratio. (1980)	55.3% (3)		15.6% (3)	
9: Principal resources	Bauxite (Substantial) Lime, Salt, and Petroleum (minimal).		Petroleum (700 million barrels of proven reserves), Natural gas.	

Sources:

(1) STATISTICAL SURVEY, Jamaica, p.388. Trinidad, p.528.

(2) ECONOMIC SURVEY, 1982. Jamaica, p.544, Trinidad, p.598.

(3) ibid.

THE INTERNAL SITUATION. (OBJECTIVE COMPONENT)

Table THREE: The Political and Social Structure.

Variable Indicator.	Jamaica	Trinidad and Tobago
1: Type of political system	Open Parliamentary democracy.	Open Parliamentary democracy.
2: Type of party system (1970-1980.)	Established two-party competitive system with several minor parties.	Single-party dominant within the framework of a parliamentary government. Several minor parties.
3: Bases of party support	Narrow, elite-based.	Narrow, elite-based.
4: Prevailing political norms.	Clientelism and patronage in appointments, jobs, housing, etc.	Clientelism and patronage in appointments, jobs, housing, etc.
5: Ethnic composition.	Negro 95%; minority mixed, East-Indian, Chinese and white.	Negro 40.8%, East-Indian 40.7%, minority mixed, Chinese and white.
6: Narodov Homogeneity Index.	95% (1)	44% (1)

(1) Atlas Narodov Mira, in RANKINGS, p.48.

Table THREE: The Political and Social Structure - Continued.

Variable Indicator	Jamaica	Trinidad and Tobago.
7: Ethnic and/or class bases of political power.	Political power defined along racial and class lines. Strong correlation between race and class status.	Political power in the hands of Negro segment. Political polarization between the two major ethnic groups.
8: Degree of inter- and/or intra-elite consensus.	Low consensus. High level of inter-elite conflict.	High Consensus. Low level of inter-elite conflict.
9: Incidents of civil disorder (strikes, riots, demonstrations, political violence, etc.)	High. (1972-1980)	Low. (1971-1980)
10: Regime Stability	Low	High

THE SUBJECTIVE SITUATION

Table FOUR: The Leadership Component

Variable Indicator	Manley	Williams
1: Leadership style and disposition	Populist and idealistic	Autocratic and pragmatic.
2: Ideology	'Democratic Socialism'	'National Corporatism'
3: Goal definition and continuity.	Vague. vacillatory	Clear Continuity
4: Attitude towards objective situation (External situation and performance of the structures).	Negative	Positive
5: Role conception and enactment (foreign policy preference).	Reformatory: Sought to restructure and redefine patterns of relations in the objective situation.	Mediatory: Sought to mediate patterns of relations in the objective situation.

5: The Strategies: Adaptive or Maladaptive?

The above analysis has brought out in greater detail the comparison of the situations and strategies of Jamaica and Trinidad and Tobago. The similarities and dissimilarities in the strategies adopted were a reflection of the similarities and dissimilarities in the situations. The findings lend support to our hypotheses.

The hypotheses are:

1: *Where the constraints of the situation are relatively greater and the availability of opportunities correspondingly lower, the foreign economic strategy adopted will be closer to the radical end of the continuum.*

This is because, where the constraints (real and perceived) are greater, the possibility of enhancing or maintaining the performance of the structures within the framework of existing patterns of relations between the state and other actors in the international economy, is minimal. Policy makers are therefore likely to have a negative attitude towards these relations and their foreign policy preferences are likely to be toward the radical strategy, one that seeks to restructure these relationships.

Hypothesis:

2: *Where the constraints are relatively lower, and the availability of opportunities correspondingly greater, the foreign economic strategy will be closer to the exploitative end of the continuum*

This is because, where the opportunities (real and perceived) are greater, policy makers are likely to have a positive attitude towards the patterns

of relations existing between their state and other actors in the international economy. Their foreign policy preferences will therefore be towards the exploitative strategy, one that seeks to take advantage of the opportunities afforded by the international economy.

Thus the state adopting the exploitative strategy is for various reasons in a relatively stronger position in the international economy than the state adopting the radical strategy. The former are thus less wary of contacts with the global economy, than are the latter, whose constraints, real and perceived, are greater.

The findings support these hypotheses in that it is evident that the constraints were comparatively greater for Jamaica than for Trinidad. The latter, being an oil exporter, was placed in a relatively stronger position in the international economy by the oil price hikes. Trinidad became a net creditor capital-surplus economy, while Jamaica sank deeper into debt, becoming in the process a net debtor country with an enormous debt burden.

Although neither strategy was entirely either exploitative or entirely radical, the strategy adopted by Williams was closer to the exploitative end of the continuum. It was a strategy designed to exploit

the opportunities for development afforded by the oil-boom. The strategy of Manley on the other hand, was closer to the radical end of the continuum. It was an insulatory response on the part of the PNP to the situation and was designed to restructure and redefine Jamaica's economic relations with the world.

The foreign economic strategy of Williams can be considered to have been adaptive. As noted during the analysis on Trinidad in Part Three however, the economic gains the strategy brought are not likely to be self-sustaining. In recent years, petroleum has not only proven to be just as susceptible to price fluctuations as other primary commodities, but the consensus and resoluteness that characterized the actions of the early OPEC, has today been replaced by an organization whose members cannot agree even on production quotas. Thus in recent years in the wake of the decline in world petroleum prices, the economy of Trinidad has experienced contraction. This notwithstanding, the evolution of the Trinidadian economy during the 1970's was impressive.

The successes scored by the PNM during this period were not only due to the opportunities made available in the international economy by the

oil price hikes, but also to the fact that Williams had a correct assessment of the objective situation. It was noted that his was a policy of moderation which recognized that given the constraints of the situation, the alternatives to development were limited. There was therefore no room for experimentation with a weak and fragile economy. Williams was careful to clarify policy objectives through a succession of long-term development programmes and he clearly defined his government's position *vis-a-vis* foreign capital. This finding lends support to our hypothesis that,

The more closely related the objective and subjective situation, the more likely is the strategy to maintain or enhance the performance of the structures.

That the foreign economic strategy adopted by Manley's PNP was maladaptive is evident from the record of his years in office: Eight years of steady economic decline, shortages of virtually every conceivable item, a high level of social and political unrest which culminated in Manley's electoral defeat by the widest margin in Jamaica's political history. This represented a repudiation by the Jamaican people of Manley's attempt at economic transformation and his experiment in democratic socialism; for that was the essence of Manley's strategy: An experiment.

The situation at that time period however was not favourable for economic and social experimentation in a small, fragile, highly penetrated and vulnerable economy such as Jamaica's. The international economy was undergoing rapid transformation: Inflationary pressures caused by the oil price hikes would precipitate a world-wide recession which would cut demand for primary products, as well as produce a rise in interest rates. Yet for several years the attempt was made by Manley. By 1977 however, the principal focus of attention was on how to stop the economy from contracting further, and by the end of 1980 when the country possessed liquid reserves to cover only one week's imports, the principal preoccupation was on how to avoid total economic collapse. That the constraints of dependency were important contributory factors that undermined Manley's strategy is evident. The reasons for his failure however, went beyond dependency and were rooted in Manley's failure to take adequate account of the objective situation.

In this regard, we noted some major contradictions in Manley's position. We noted for instance that Manley sought to expand the control of the state over the productive sectors of the economy by undertaking ambitious (and short-term) development projects. The contradiction here was that a large part of the finance for these projects came from external

borrowing. Thus while on the one hand Manley was attempting to promote national autonomy by supplanting the hegemony of private (foreign and local) capital, the reliance on external borrowing his strategy entailed, and the capital flight it provoked, precipitated the foreign exchange crunch, and this ultimately intensified the country's dependency. As we have stressed and as has been noted by Stephens and Stephens (1983: 394)), one of the major reasons for Manley's failure was that he had no comprehensive plan oriented toward achieving his objectives. The facts support the observation. With such a plan, it would have been obvious that as private sector investment declined, the state would have to take up the slack. In the absence of such a long-term plan, the means for dealing with such a situation was not clarified. The government instead elected to off-set the autonomous reduction in private sector investment through an expansion of public sector programmes financed by external borrowing. It was not until the People's Plan of 1978, that any long-term plan was drawn up by the PNP and by then it was too little, too late. Policies adopted in the early years were mainly short-term and designed to appease the demands of the Jamaican people (e.g, the 'Operation Grow' policies). Moreover, Manley's failure to take adequate account of the

objective situation was reflected in his failure to rally the social and political forces necessary for successful implementation of a radical strategy of transformation. Manley failed to develop the PNP into an ideologically-oriented mass movement, and instead relied on the clientelistic loyalties he cynically regarded as his 'bankable assurance'.

Thus the eight years of steady economic decline and the high level of social and political conflict resulting, indicate that the PNPs foreign economic strategy was maladaptive. This lends support to our hypothesis that,

The greater the discrepancy between the objective situation and subjective situation, the less likely is the strategy to maintain or promote the performance of the structures.

SECTION TWO

THE CONCLUSION

1: Survey of the Argument of the Thesis.

This study compared the foreign economic policy strategies adopted by the governments of two Commonwealth Caribbean states with the primary objectives of: a) Comparing the strategies, b) identifying the explanatory factors, and c) assessing the impact of the strategies on the economic development of the two countries.

The recurrent theme or basic argument that underscored the analysis was that the foreign economic policy behaviour of Jamaica and Trinidad, as two underdeveloped units, occurred within the context of dependency relationships. Thus if, as we elected to do, the foreign policy field is viewed as an arena of constraints and opportunities within which policy choices are made, dependency serves not only to narrow the range of choice, but also to intensify the constraints on behaviour. The findings indicated that: Firstly, the similarities and dissimilarities in the foreign economic strategies of Jamaica and Trinidad were a direct reflection of the similarities and dissimilarities in the constraints and opportunities provided by their respective situations; and secondly, that the strategy

of the Williams government was adaptive while that of Manley was maladaptive. This was a reflection of the fact that the former strategy generated growth in the Trinidadian economy, while the latter produced a decline in the Jamaican economy. Although it was emphasised that this study would not be addressing the issue of development directly, the question that remains however is, does the quantitative expansion of an economy imply economic development? That is, does growth necessarily imply development?. Do the mere facts of Trinidad's impressive growth indices during the 1970's indicate that it developed economically? and do the mere facts of Jamaica's negative growth indices indicate that there was no development? It is all too tempting to reply 'yes' to both questions, but the fact remains that growth and development are not synonymous. Development implies changes that are more of *qualitative* improvements than merely *quantitative*. It involves structural changes, changes in institutions and practices, in social norms and attitudes. Economic development therefore need not necessarily entail economic growth of any kind. Thus our conclusions regarding the success or otherwise of the Jamaican and Trinidadian strategies must be qualified in this regard.

2: Assessment of the Approach

This study began with a survey of selected literature on development and

underdevelopment as well as on the comparative study of foreign policy, with the objective of providing the basis for the development of a framework by pointing out the limitations and the strengths of the selected approaches. The attempt was then made to develop a framework that took into consideration three levels of analysis and integrated objective and subjective variables in the explanation of foreign policy behaviour. Since the focus was on the foreign economic strategies of two countries that are considered to be dependent and underdeveloped, the approach related these concepts to foreign policy by examining how and when such factors as domestic economic and socio-political structure and regime characteristics, international trade patterns and foreign investment, as well as the composition and orientation of social groups mediated by the perceptions of policy makers, were reflected in foreign economic policy behaviour.

Although Trinidad and Jamaica were the focus for comparison, the approach could be adapted for the study of the foreign economic policies of other third world states. This is because the explanatory categories developed are sufficiently broad and generalised. Admittedly, the framework is not perfect and in the course of the analysis, qualifications were made acknowledging some of the possible weaknesses.

Admittedly also, our explanatory categories are incomplete in that they do not take into account all the possible variables that may influence foreign economic policy. These limitations notwithstanding, the approach is a step in the right direction. As a political economy approach to the study of foreign policy, it facilitates comparison and it takes into consideration the complexity of the social processes in UDCs. It is an approach that attempted to synthesise the various strains in the literature on development and underdevelopment into a framework that minimised the determinism of the underdevelopment school and at the same time went beyond the ethnocentrism of the diffusionist school. And although it is acknowledged that eclecticism may not be the way to theoretical precision, given the current state of third world foreign policy studies, it is the only way.

APPENDIX A
Jamaica: The single most Perceived Problem.
N= 61.

Rank	Percentage Chosen
1 Domestic economy	24.6
2. Crime and Victimization	24.1
3. Government mismanagement	14.7
4. Corrupt Politicians.	13.1
5. Corrupt Social System.	8.2
6. Lack of confidence	6.6
7. Corrupt economic system	3.3
8. International economy	3.3
9 Corrupt political system	1.6
10. Insufficient nationalism	1.6
11. Lack on individual initiative	1.6
12. International apathy toward the third world	0.0
13. Racism	0.0

Survey of a sample of Jamaican People Conducted by Hillsman, Richard, from January to May 1978. As can be seen from the data, the single most perceived problem was not a lack of confidence as Manley believed but the domestic economy. See Pages 127-130 above.

Source: Hillsman, Richard. "Legitimacy and Change in Jamaica." in JOURNAL OF DEVELOPING AREAS. July, 1979. p. 402

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